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Commercial Paper Ratings
Standard & Poor's: A-1+
Fitch: F1+

COMMERCIAL PAPER OFFERING MEMORANDUM

HARRIS COUNTY FLOOD CONTROL DISTRICT

LIMITED TAX COMMERCIAL PAPER NOTES, SERIES H

Citigroup Global Markets Inc. (the "Dealer") is offering for sale on behalf of the Harris County Flood Control District (the "District") its Limited Tax Commercial Paper Notes, Series H (the "Notes") in the aggregate principal amount not to exceed $500,000,000 outstanding at any one time. Capitalized terms used in this Offering Memorandum shall have the meanings assigned to such terms in the Order (defined below), except as otherwise indicated herein.

The Notes are authorized pursuant to Article 16, Section 59 of the Constitution of the State of Texas, as amended, Article 8280-120, Tex. Rev. Civ. Stat., as amended, Chapter 1371, Texas Government Code, as amended, an election held within the District on November 3, 2015 (the "2015 Election"), an election held within the District on August 25, 2018 (the "2018 Election") and an order of the Commissioners Court of Harris County, Texas (the "County") adopted on November 14, 2017, as amended and restated on October 9, 2018, and as further amended and restated on December 3, 2019 (the "Order"). (The foregoing authorities are collectively referred to herein as the "Authorizing Law.")

Pursuant to the Authorizing Law, the District is authorized to sell the Notes in one or more installments for certain authorized purposes and provide for the payment of principal of and interest on the Notes through the levy of an annual ad valorem tax within the limits prescribed by law. Interest on the Notes is payable on an actual/365-day year basis for the actual number of days elapsed, and the Notes will be sold at par.

The District has entered into the Credit Agreement, the First Amendment to the Credit Agreement and the Second Amendment to the Credit Agreement (as described herein under "THE NOTES – Liquidity Facility") with JPMorgan Chase Bank, National Association (the "Bank"), whereby the Bank has committed to provide a revolving line of credit up to $500 million for the purpose of making loans to the District for the payment from time to time of the principal of any or all maturing Notes. The Credit Agreement initially expires on December 10, 2021, subject to extension, earlier termination or immediate termination in certain events as provided therein.

These cover pages contain certain information for quick reference only. They are not a summary of the Notes or the District's commercial paper note program. Investors must read the entire Offering Memorandum to obtain information essential to the making of an informed investment decision. No dealer, salesperson or other person has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Notes, and, if given or made, such information or representations must not be relied upon. This Offering Memorandum does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth herein has been furnished by the District, the County, the Bank and other sources believed to be reliable, including The Depository Trust Company with respect to the information contained in "THE NOTES – Depository Trust Company," but it is not guaranteed as to accuracy or completeness.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District or the County or other matters described herein since the date hereof. This Offering Memorandum should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Offering Memorandum. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Notes are exempt from registration under Section 3(a)(2) of the Securities Act of 1933, as amended. In the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, note counsel ("Note Counsel") to the District, the interest on the Notes is excludable from gross income for federal income tax purposes under existing law (See APPENDIX D, attached hereto, for the form of Note Counsel's opinion).

Dated: December 11, 2019

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THE DISTRICT

General

The District, created by a special act of the Texas Legislature in 1937, is a conservation and reclamation district authorized under Article 16, Section 59 of the Texas Constitution and Article 8280-120, Tex. Rev. Civ. Stat., as amended, and a political subdivision of the State of Texas (the "State"). The District's purposes are to control storm and flood waters and to provide drainage of overflow lands within the boundaries of the District. The District is limited by law to a maximum ad valorem tax rate of $0.30 per $100 of assessed valuation. Pursuant to the Authorizing Law up to $0.15 of the $0.30 constitutional tax rate limitation may be levied for the payment of debt service of the District's indebtedness payable from such tax. Such limited ad valorem tax is pledged by the District to provide for the payment of principal of and interest on the Notes. The District's boundaries are coterminous with those of the County, and certain of its officials are also officials of the County. Since the creation of the District, the County has relinquished certain flood control and drainage activities to the District. The District is responsible for devising and managing a storm water management plan and maintaining flood control infrastructure, which includes more than 1,500 channels totaling approximately 2,500 miles in length. The District encompasses approximately 1,777 square miles, 22 watersheds and 3,000 miles of watercourses. Substantially all of the City of Houston, Texas, the nation's fourth largest city, is located within the District.

Administration

The County Commissioners Court, which is the governing body of the District, has the responsibility for the financial administration of the District. See "THE COUNTY – Administration." Among its duties as the governing body of the District, in addition to its duties as the governing body of the County, the Commissioners Court approves the District's budget, determines the District's tax rates, approves contracts on behalf of the District, calls elections, and determines when to issue bonds authorized by the voters of the District.

Other elected officials having responsibility for the financial administration of the District are the County Tax Assessor-Collector and the County Treasurer. The County Tax Assessor-Collector is responsible for assessing and collecting ad valorem taxes in the District. The County Treasurer's duties include depositing the money received by the District in the depository selected by the Commissioners Court on behalf of the District and signing and registering all of the District's checks.

The County Auditor is responsible for substantially all District accounting and internal audit functions. The County Auditor is appointed for a two-year term by the State District Judges of the County.

The County Attorney, who is elected for a four-year term, has responsibility for the general legal affairs of the District.

The management of the District is the responsibility of its Director, reporting through the Harris County Public Infrastructure Department.

Long-Term Debt

The District has never defaulted in the payment of the principal of or the interest on any of its debt. As of February 28, 2019, the District had $83,075,000 in principal amount of outstanding ad valorem tax debt. See "THE DISTRICT — District's Historical Tax Debt Outstanding." The District has $2,549,100,000 in authorized but unissued bond capacity payable from ad valorem taxes.

Investments

Under Texas law, the District is required to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. All District funds must be invested in investments that are consistent with the operating requirements of the District. The District's written investment policy specifically excludes investments in mortgaged-backed securities and bankers' acceptances. See "THE COUNTY – Investments of the County" herein.

In practice, the District's investments are limited to obligations of the United States or its instrumentalities, federal agencies, fully collateralized repurchase agreements, commercial paper, municipal obligations rated AA or higher, and money market mutual funds. Under Texas law, District investments must be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.

District Retirement Program and Other Post-Employment Benefits

The Texas County and District Retirement System (the "System" or "TCDRS") administers a combined retirement program for officials and eligible employees of the District. For a description of the plan, including employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see Note **7** to the District's Comprehensive Annual Financial Report, attached hereto as APPENDIX C. For OPEB related-information, see Note 8 of the Comprehensive Annual Financial Report of the District, attached hereto as APPENDIX C.

District Employees

The number of District employees at fiscal years ended 2015 through 2019, are set forth below:

	2015	**2016**	**2017**	**2018**	**2019**
Total	291	287	293	290	316

Assessed Value of Taxable Property and Tax Rates for the District

The following table shows the District's assessed values calculated as of the Fiscal Year end for each year shown and tax rates for each of the tax years 2009 through 2019. Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

(Dollars in Thousands)

Tax Year	Fiscal Year Ended Feb. 28/29	Real Property[(a)]	Personal Property[(a)]	Less Exemptions [(b)(c)]	Total Taxable Assessed Value	Total Direct Tax Rate
2009	2010	$ 325,453,516	$ 45,496,068	$ 94,414,243	$ 276,535,341	$ 0.02922
2010	2011	315,200,613	43,537,642	93,805,049	264,933,206	0.02923
2011	2012	321,629,707	43,346,546	96,453,218	268,523,035	0.02809
2012	2013	334,997,328	47,104,735	101,809,361	280,292,702	0.02809
2013	2014	358,644,209	51,681,663	104,868,732	305,457,140	0.02827
2014	2015	395,193,725	54,596,861	110,245,889	339,544,697	0.02736
2015	2016	425,362,576	74,247,450	120,048,579	379,561,447	0.02733
2016	2017	465,759,857	71,320,820	125,836,117	411,244,560	0.02829
2017	2018	486,029,940	67,420,210	125,837,228	427,612,922	0.02831
2018	2019	506,158,994	69,511,372	136,759,064	438,911,302	0.02877
2019	2020	544,652,451[(d)]	72,926,994[(d)]	144,645,228[(d)]	472,934,217[(d)]	0.02792[(e)]

(a) Property in the District is currently reassessed each year, and is required by law to be reassessed every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.

(b) The District, either by action of the Commissioners Court or through a process of petition and referendum initiated by its residents, may grant partial exemptions for residential homesteads of persons 65 years of age or older and of certain disabled persons. The Commissioners Court has granted an exemption of residential homesteads for persons 65 years of age or older and disabled persons of up to $160,000 of assessed value. If requested, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in an amount not to exceed $3,000 of assessed value. The District may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court has granted a 20% exemption.

(c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The County or taxing unit (as applicable) in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. Such abatement agreement may last for a period of up to 10 years. The estimated value of property in the County that was subject to tax abatement as of July 5, 2019, is approximately $67 million and such value at the end of the abatement period is currently estimated to be approximately $178 million. Assessed taxable value figures herein are net of abatements.

(d) The values presented are as of August 2, 2019.

(e) The County adopted final tax rates on October 14, 2019.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

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District Tax Levies, Collections and Delinquencies

The table below sets forth a comparison of the aggregate ad valorem taxes levied and collected by the District for the tax years 2009 through 2018. This table is as presented in the County's Comprehensive Annual Financial Report; however, it includes an additional column identifying the tax year.

(Dollars in Thousands)

				Collected within the Fiscal Year of the Levy			Total Collections to February 28, 2019	
Tax Year	**Fiscal Year Ended Feb. 28/29**	**Taxes Levied for the Fiscal Year**	**Adjusted Levy as of the End of Current Fiscal Year**	**Amount[a]**	**Percentage of the Levy**	**Collections in Subsequent Years[b]**	**Amount**	**Percentage of Levy**
2009	2010	$ 80,534	$ 79,557	$ 74,798	92.9 %	$ 4,568	$ 79,366	99.8 %
2010	2011	77,374	76,744	72,089	93.2	4,481	76,570	99.8
2011	2012	75,400	74,779	71,159	94.4	3,446	74,605	99.8
2012	2013	78,616	77,894	74,486	94.7	3,212	77,698	99.7
2013	2014	86,158	85,011	82,041	95.2	2,757	84,798	99.7
2014	2015	92,695	91,424	88,298	95.3	2,812	91,110	99.7
2015	2016	103,462	102,415	98,187	94.9	3,729	101,916	99.5
2016	2017	116,242	114,334	110,175	94.8	3,233	113,408	99.2
2017	2018	120,935	120,935	114,368	94.6	4,059	118,427	97.9
2018	2019	121,471	121,471	120,203	99.0	-	120,203	99.0

(a) Taxes levied in any year which are collected beginning November 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent. The amounts in this column are reflected as of the last day of February of the years shown.

(b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable. The County is barred from bringing suit for collection of delinquent personal property taxes after four years from the time such taxes become delinquent. Real property taxes, until paid, constitute a lien against the property. The County is barred from bringing suit for collection of delinquent personal property and real property taxes annually. Pursuant to Section 33.05, subsection (c) of the Property Tax Code, the County Tax Assessor-Collector is required to cancel and remove from the delinquent tax roll a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. The delinquent taxes may not be canceled if litigation concerning the taxes is pending.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

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District's Historical Tax Debt Outstanding

The following table sets forth the District's ad valorem tax debt outstanding, as of the last day of Fiscal Years 2009-2010 through 2018-2019, as a percentage of taxable value and per capita:

Fiscal Year Ended Feb. 28	Debt Outstanding[(a)] (Thousands)	Taxable Value[(b)] (Thousands)	Tax Debt Outstanding as Percentage of Assessed Value	Estimated Population[(c)]	Debt Outstanding Per Capita
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
2018	83,075	427,612,922	0.02	4,652,980	18
2019	83,075	438,911,302	0.02	4,698,619	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 Census.

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District's Principal Taxpayers

The following table lists the fifteen taxpayers with the largest taxable values in the District as of February 28, 2019.

(Dollars in Thousands)

Taxpayers	Type of Business	2018 Taxable Valuations[(a)]	Percentage of Total 2018 Taxable Valuation[(b)]
1. Exxon Mobil Corporation	Oil, Chemical Plant	$ 3,490,280	0.80%
2. Chevron Chemical Company	Oil, Gas	3,157,632	0.72
3. Centerpoint Energy Hou Ele	Electric Utility	2,487,865	0.57
4. Equistar Chemicals LP	Chemical Plant	1,290,168	0.29
5. Shell Oil Company	Oil Refinery	1,222,793	0.28
6. Palmetto Transoceanic LLC	Real Estate, Energy	1,195,025	0.27
7. PKY East 1-2, West 3-4 POC, San Felipe Plaza	Real Estate	852,336	0.19
8. BSREP 1HC – 4HC	Real Estate	797,863	0.18
9. One Two and Three Allen Center Co LLC	Real Estate	785,888	0.18
10. AT&T/Southwestern Bell	Telephone Utility	736,929	0.17
11. HG Galleria I II III LP	Real Estate	635,939	0.14
12. National Oilwell Varco	Oil Energy	614,881	0.14
13. Conoco Phillips Company	Oil, Gas	608,332	0.14
14. Fairway Methanol LLC	Chemical	576,639	0.13
15. Shell Services Company	Oil, Gas	550,564	0.13
Total		$ 19,003,134	4.33%

(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, 2019.

Source: Harris County Appraisal District

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Estimated District-Wide and Overlapping Ad Valorem Tax Debt

Approximately 34 cities, towns and villages, 25 independent school districts, four junior college districts and approximately 406 utility districts are empowered to levy taxes on property within the District.

The following summary of estimated outstanding ad valorem tax debt of taxing entities within the District was compiled by the District's Financial Advisor from a variety of sources, including Texas Municipal Reports as compiled and published by the Municipal Advisory Council of Texas. The District believes such sources to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The table reflects debt outstanding as of various dates. Certain entities listed below may have issued substantial amounts of debt since the latest available data and may have capital improvement programs requiring the issuance of a substantial amount of additional debt.

	Long-Term Debt Outstanding (Dollars in Thousands)	
District-Wide Taxing Entities[a]:		
Harris County Flood Control District[b]	$ 83,075	
Harris County[c]	1,885,182	
Hospital District	57,300	
Port of Houston Authority	572,569	$ 2,598,126
Cities:		
Houston[d]	$ 3,428,038	
Other cities	1,226,055	4,654,093
Independent School Districts, College Districts and the Harris County Department of Education:[e]		19,489,674
Utility Districts[f]:		6,045,337
Total		$ 32,787,230

(a) As of October 31, 2019. Exclusive of commercial paper transactions.

(b) Includes the District's Limited Tax Bonds, which are secured by a pledge of a limited tax levied by the Commissioners Court on behalf of the District.

(c) Includes District Flood Contract Tax Bonds secured by County contract payments. Excludes all outstanding Toll Road Unlimited Tax Bonds, which are additionally secured by a subordinate lien on toll road revenues. Historically, no ad valorem tax has been collected to pay such bonds.

(d) As of October 31, 2019. Includes ad valorem tax bonds of utility districts assumed by the City of Houston and certain contract bonds substantially equivalent to ad valorem bonds. Excludes commercial paper balances.

(e) As of October 31, 2019. Includes certain contract tax bonds substantially equivalent to ad valorem tax bonds. "College Districts" were previously shown as "junior college districts" and include "junior college districts" and "community college districts" operating pursuant to Chapter 130 of the Texas Education Code.

(f) As of October 31, 2019. Aggregate net debt as estimated by the Municipal Advisory Council of Texas as of various dates for other cities (not including the City of Houston), located within the County, 25 independent school districts and four community college districts and approximately 406 utility districts located within the County.

Source: Harris County and the Municipal Advisory Council of Texas.

Operating Funds Budget for the District's Fiscal Year Ending Last Day of February 2020

On February 12, 2019, the Commissioners Court adopted the budget for the District for the Fiscal Year ending February 29, 2020, which included appropriations for some capital projects which are financed from current revenues. The following is a summary of such budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2019	$ 51,261,546
Estimated Revenues:	
Ad Valorem Taxes	122,786,217
Other	976,748
Total Cash and Estimated Revenues	$ 175,024,511
Appropriations:	
Current Operating Expenses	$ 171,591,379
Capital Outlay	3,433,132
Total Appropriations	$ 175,024,511

THE COUNTY

Administration

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area. The County's population was estimated to be 4.70 million in the year 2018, based on the Bureau of the Census estimates, Harris County Appraisal District data and historical trends.

The Commissioners Court is the governing body of the County. It has certain powers expressly granted to it by the Texas Legislature (the "Legislature") and powers necessarily implied from such grant. Its duties include approval of the County budget, determination of County tax rates, approval of contracts in the name of the County, calling elections, issuance of debt and appointments of certain County officials.

The County Judge, Lina Hidalgo, is the presiding officer of the Commissioners Court. The County Judge is elected county-wide by the voters to a four-year term of office.

The County Commissioners are Rodney Ellis, Adrian Garcia, Steve Radack and R. Jack Cagle. Each County Commissioner represents one of the four precincts into which the County is divided and is elected by the voters of the applicable precinct to a four-year term of office.

The County Treasurer, Dylan Osborne, is an elected official of the County and the chief custodian of County funds, which duties include the receipt of all monies belonging to the County from whatever source they may be derived, the deposit of such funds in a designated depository, and the payment and application or disbursement of such funds, in such manner as the Commissioners Court may require or direct in a manner not inconsistent with law.

The County Assessor-Collector and Voter Registrar, Ann Harris Bennett, is an elected official of the County responsible for assessing and collecting ad valorem taxes and processing voter registration in the County.

The County Clerk, Diane Trautman, is an elected official of the County and serves as Ex-Officio Clerk of the Commissioners Court.

The County Attorney, Vince Ryan, an elected official of the County, advises and represents the County and its officers and employees in connection with legal matters.

The County Auditor, Michael Post, CPA, has oversight responsibility for the financial books and records of the County and its officials. The duties of the County Auditor include prescribing accounting procedures, preparing statutorily required financial reports, budgetary oversight, and performing financial and compliance audits. The County Auditor is appointed for a two-year term by the State District Judges of the County.

The County Budget Officer, William J. Jackson, is appointed by the Commissioners Court and is responsible for preparing proposed annual budgets and has responsibility for both the County's investments and debt management.

Ad Valorem Tax Levy and Tax Data

The Texas Constitution authorizes the County to levy a tax for general fund, permanent improvement fund, road and bridge fund and jury fund purposes limited in the aggregate to $0.80 per $100 of assessed valuation (the "$0.80 Tax Limitation"). The County has consolidated all of these constitutional purposes into a general fund tax levy, subject to the $0.80 Tax Limitation (the "General Fund Tax"). Administratively, the Attorney General of the State of Texas will permit allocation of up to $0.40 of the $0.80 constitutional tax rate for payment of debt service on the County's indebtedness payable from such tax.

The Texas Constitution also authorizes the County to levy (1) a tax, without legal limit as to rate or amount, to pay debt service on the County's road bonds, and (2) a special road and bridge fund tax, not to exceed $0.15 per $100 of assessed valuation for restricted purposes.

The Commissioners Court adopts tax rates for the County by September 1 of each year, or as soon thereafter as is practicable. Title 1 of the Texas Tax Code (the "Property Tax Code") provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the latter of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and the failure to adopt a tax rate by such required date will result in the tax rate for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Such rates are based on the assessed values at January 1 of each year, as shown on the tax roll approved by the Appraisal Review Board of the Harris County Appraisal District (the "Appraisal District"), which must be used by the County for such purpose. The Property Tax Code imposes limitations on certain tax increases. The Commissioners Court may under certain circumstances be required to publish notice and hold a public hearing on a proposed tax rate before voting on the tax rate. Additionally, under certain circumstances the County may be required to conduct an election to determine whether or not an adopted tax rate must be reduced.

County Assessed Values and Tax Rates

The following table shows the County's assessed values calculated as of the Fiscal Year end for each year shown and tax rates for each of the tax years 2009 through 2019. Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

(Dollars in Thousands)

Tax Year	Fiscal Year Ended Feb. 28/29	Real Property[(a)]	Personal Property[(a)]	Less Exemptions & Abatements[(b)(c)]	Total Taxable Value	County Tax Rate
2009	2010	$316,949,419	$54,044,038	$85,902,801	$285,090,656	$0.39224
2010	2011	307,139,208	51,636,041	85,743,093	273,032,156	0.38805
2011	2012	313,475,950	51,539,733	88,299,285	276,716,398	0.39117
2012	2013	324,827,229	57,313,966	91,639,208	290,501,987	0.40021
2013	2014	347,626,720	62,743,816	93,848,695	316,521,841	0.41455
2014	2015	384,362,133	65,476,453	99,412,873	350,425,713	0.41731
2015	2016	425,362,614	74,298,323	108,139,145	391,521,792	0.41923
2016	2017	465,761,511	71,377,390	115,700,039	421,438,862	0.41656
2017	2018	486,039,747	67,481,606	117,128,669	436,392,684	0.41801
2018	2019	506,160,004	69,574,097	127,319,737	448,414,364	0.41858
2019	2020	544,668,653[(d)]	72,926,994[(d)]	134,513,980[(d)]	483,081,667[(d)]	0.40713[(e)]

(a) Property in the County is currently reassessed each year, and is required by law to be reassessed every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.

(b) The County, either by action of the Commissioners Court or through a process of petition and referendum initiated by its residents, may grant partial exemptions for residential homesteads of persons 65 years of age or older and of certain disabled persons. The Commissioners Court has granted an exemption of residential homesteads for persons 65 years of age or older and disabled persons of up to $160,000 of assessed value. If requested, the County must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in an amount not to exceed $3,000 of assessed value. The County may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court has granted a 20% exemption.

(c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The County or taxing unit (as applicable) in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. Such abatement agreement may last for a period of up to 10 years. The estimated value of property in the County that was subject to tax abatement as of July 5, 2019, is approximately $67 million and such value at the end of the abatement period is currently estimated to be approximately $178 million. Assessed taxable value figures herein are net of abatements.

(d) Interim estimate based on Appraisal District supplemental reports as of August 2, 2019. Does not include assessed values for properties whose values are currently being protested.

(e) The County adopted final tax rates on October 14, 2019.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

Tax Increment Reinvestment Zones

State law authorizes municipalities and counties in the State to establish one or more tax increment reinvestment zones ("TIRZs") for the purposes of development or redevelopment of the territory within such zones. The County may elect to create a TIRZ in which it and other taxing entities within the County may elect to participate. In addition, the County and certain taxing units located within the County may elect to participate in TIRZs created by a municipality within the County.

The participating taxing units in a TIRZ contribute some or all of the tax revenues generated by the growth in taxable value of real property in the TIRZ to pay costs of public infrastructure or other public improvements in the TIRZ and to supplement or act as a catalyst for private development in the TIRZ. In a TIRZ created by a municipality, the TIRZ, or a non-profit local government corporation authorized by a municipality to administer the TIRZ, may pledge incremental tax revenue to support bonds or other obligations of the TIRZ. In a TIRZ created by a county, there are State constitutional limitations that restrict a county or local government corporation acting on its behalf from pledging incremental tax revenue to support bonds or other obligations of the TIRZ. TIRZs generally are created for a period of up to 30 years.

The County has not created any TIRZs. The County currently participates in various TIRZs created by municipalities within the County. The total amount of the County's contribution in such TIRZs for Tax Year 2018 was equal to approximately $6,114,729. The District has elected to participate in various TIRZs created by municipalities within the County, and the total amount of the District's contribution in such TIRZs for Tax Year 2018 was equal to approximately $187,022.

The County cannot predict the tax consequences of a decision by the County to create or participate in TIRZs.

County Tax Levies, Collections and Delinquencies

The table below sets forth a comparison of the aggregate ad valorem taxes levied and collected by the County (excluding the District, the Port of Houston and the Hospital District/Harris Health) for the tax years 2009 through 2018. This table is as presented in the County's Comprehensive Annual Financial Report; however, it also includes an additional column identifying the tax year.

(Dollars in Thousands)

				Collected within the Fiscal Year of the Levy			Total Collections to February 28, 2019	
Tax Year	**Fiscal Year Ended Feb. 28/29**	**Taxes Levied for the Fiscal Year**	**Adjusted Levy as of the End of Current Fiscal Year**	**Amount[(a)]**	**Percentage of the Levy**	**Collections in Subsequent Years[(b)]**	**Amount**	**Percentage of Levy**
2009	2010	$1,114,429	$1,101,262	$1,036,477	93.0%	$62,426	$1,098,903	99.8%
2010	2011	1,058,623	1,050,079	987,684	93.3	60,283	1,047,967	99.8
2011	2012	1,081,861	1,073,234	1,022,187	94.5	48,876	1,071,063	99.8
2012	2013	1,160,905	1,150,833	1,100,588	94.8	47,932	1,148,520	99.8
2013	2014	1,308,910	1,292,465	1,247,389	95.3	42,473	1,289,862	99.8
2014	2015	1,459,066	1,439,226	1,390,628	95.3	44,574	1,435,202	99.7
2015	2016	1,637,031	1,620,980	1,554,734	95.0	60,967	1,615,701	99.7
2016	2017	1,754,007	1,715,835	1,663,289	94.8	45,305	1,708,594	99.6
2017	2018	1,822,187	1,798,523	1,723,979	94.6	60,909	1,784,888	99.2
2018	2019	1,876,068	1,876,068	1,787,008	95.3	--	1,787,008	95.3

(a) Taxes levied in any year which are collected beginning November 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent. The amounts in this column are reflected as of the last day of February of the years shown.

(b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable. The County is barred from bringing suit for collection of delinquent personal property taxes after four years from the time such taxes become delinquent. Real property taxes, until paid, constitute a lien against the property. The County is barred from bringing suit for collection of delinquent personal property and real property taxes annually. Pursuant to Section 33.05, subsection (c) of the Property Tax Code, the County Tax Assessor-Collector is required to cancel and remove from the delinquent tax roll a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. The delinquent taxes may not be canceled if litigation concerning the taxes is pending.

Source: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

Tax Debt Outstanding

The following table shows the total principal amount of the County's debt outstanding payable from ad valorem taxes as of October 31, 2019. The outstanding long-term tax debt is payable from separate taxes levied for debt service:

	County's Total Outstanding Long-Term Debt
Limited Tax Debt	$ 833,717,125
Unlimited Tax Bonds	644,980,000
District Flood Contract Tax Bonds[a]	406,485,000
Toll Road Unlimited Tax Bonds[b]	220,305,000
Total	$ 2,105,487,125
Less: Toll Road Unlimited Tax Bonds	(220,305,000)
Total (approximately 0.4523% of 2018 Taxable Assessed Value)	$ 1,885,182,125

(a) The District's Contract Tax Bonds are payable from contractual payments made by the County to the District secured by the County's limited tax pursuant to the Flood Control Projects Contract.

(b) Toll Road Unlimited Tax Bonds are additionally secured by a subordinate pledge of net revenues of the County's toll road system. It is the current intent of the County to pay the Toll Road Unlimited Tax Bonds solely from toll road revenues and, historically, no ad valorem tax revenue has been required to pay the outstanding Toll Road Unlimited Tax Bonds.

Source: Harris County Financial Management.

Commercial Paper

In addition to the outstanding long-term tax debt shown in the table "Tax Debt Outstanding," the Commissioners Court has established a general obligation commercial paper program secured by ad valorem taxes for the purposes of financing various short-term assets and providing temporary construction financing for certain long-term fixed assets. The commercial paper program totals $1.65 billion and consists of the following nine series:

Series[b]	Program Size[a]	Security	Liquidity Bank	Liquidity Expiration
A-1	$100 million	limited tax	State Street	08/19/2022
B	$ 40 million	limited tax	State Street	08/19/2022
C	$260 million	unlimited tax	Bank of America	01/10/2022
D	$200 million	limited tax	JPMorgan Chase	08/19/2022
D-2	$200 million	limited tax	State Street	11/13/2021
D-3	$200 million	limited tax	Wells Fargo	11/12/2021
E-1	$200 million	toll road revenues	Landesbank Hessen-Thueringen GZ	05/02/2022
E-2	$200 million	toll road revenues	Barclays Bank PLC	05/02/2020
H[b]	$500 million	limited tax	JPMorgan Chase	12/10/2021

(a) The District formerly issued commercial paper notes through its $200 million Series F (Flood Control Contract Tax) commercial paper program. The bank facility for the program expired on August 1, 2015 and the program has remained dormant since then with no commercial paper notes outstanding.

(b) On October 24, 2018, the District expanded the $64 million Series H Flood Control Commercial Paper program to $250 million and liquidity expiration extended to 12/10/2021. On December 12, 2019 the District will expand the Series H Flood Control Commercial Paper Program to $500 million.

The Series A-1 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of and purchase of fixtures, equipment and machinery for or in connection with the County's criminal and civil justice centers and firefighter training facility, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operations of County precincts and departments and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an election. The County's current practice is to issue Series A-1 Notes to finance technology improvements.

A portion of the Series B Notes (parks and libraries) and all of the Series C Notes (roads and bridges) are issued pursuant to voted authorization obtained at elections held within the County in November 2001. A portion of the Series B Notes are authorized to be issued for certain purposes (libraries) not required to be approved at an election.

The Series D Notes, Series D-2 Notes and Series D-3 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of public works, to wit: the construction or renovation of the Civil Justice Center, Juvenile Justice Center, Juvenile Detention Center and County Courthouse, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operation of the County's precincts and departments (including particularly those relating to tax assessment and collection, juvenile services, budgeting, administration and auditing, facility maintenance, law enforcement, health and roads) and other authorized needs and purposes of the County, and (iii) professional services, and are not required to be approved at an election. In addition, a portion of the Series D Notes, Series D-2 Notes and Series D-3 Notes (permanent improvements and parks) are authorized to be issued pursuant to voted authorization obtained at elections held within the County in November 2007 (Forensic Lab, Family Law Center and Parks), November 2013 (Joint Processing Center) and November 2015 (Animal Shelter and Parks).

The Series E-1 and E-2 Notes are authorized to be issued to pay the costs of acquiring, constructing, operating, maintaining, and improving County toll road project components.

The Series H Notes are authorized to be issued pursuant to voted authorization obtained at elections held within the District in November 2015 (acquiring land, construction, maintenance and/or operations of or on behalf of the District) and August 2018 (financing flood control projects for the District, including purchasing lands, easements, rights-of-way and structures, and for the acquisition and construction of improvements, including detention basins, channel modifications and other works suitable for use in connection with flood damage reduction).

As of October 31, 2019, specific projects have been approved for no more than $275.2 million of commercial paper. As of such date, the County had outstanding $328.9 million of commercial paper, of which $88.2 million was secured by the County's limited tax, $87.9 million was secured by the County's unlimited tax and $152.8 million was secured by toll road revenues. The District had outstanding $88.4 million of commercial paper, which was secured by the District's limited tax.

Investments of the County

General. The County invests its investable funds in investments authorized by Texas law in accordance with written investment policies approved by the Commissioners Court, a copy of which is available upon request. Both State law and the County's investment policies are subject to change.

The Financial Management Office of the County invests all investable County and District funds, which include funds of the following departments or governmental bodies: the County, the District, the Toll Road Authority and Community Supervision and Corrections. The County operates as an investment agent for the 911 Emergency Network, Juvenile Probation, the Harris County-Houston Sports Authority and Harris Health. Each of the above entities has a separate investment portfolio and the funds are not commingled into a single pool of investments.

Legal Investments. Current Texas law authorizes the County and the District to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by: (i) the Federal Deposit Insurance Corporation or its successor; or (ii) the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if: (i) the funds invested in the banking deposits are invested through: (a) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this State that the investing entity selects; (ii) the broker or depository institution selected as described by clause (8)(i) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (a) the depository institution selected as described by clause (8)(i); (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit that are issued by a depository institution that has its main office or a branch office in the State and is (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (ii) secured by obligations described in the preceding clauses, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Texas Government Code; or (iii) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for County deposits; (10) certificates of deposit that meet the following conditions: (i) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in this State and is selected from a list adopted by the investing entity pursuant to Section 2256.025, Texas Government Code; or (B) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (ii) the broker or the depository institution selected by the investing entity under (i) 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 investing entity; (iii) 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; and (4) the investing entity appoints the depository institution selected by the investing entity under (i), an entity described by Section 2257.041(d) or the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; (11) fully collateralized repurchase agreements that have a defined termination date, are fully secured by cash or obligations described in clause (1), require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (12) securities lending programs if (i) the value of the securities loaned under the program are not less than 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) pledged irrevocable letters of credit issued by a bank organized under the laws of the United States or any other state, that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (14) through (16) and (18) below, (ii) securities held as collateral under a loan are pledged to the County and held in the County's name, (iii) deposited at the time the investment is made with the County or with a third party selected by or approved by the County; (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State and (v) the agreement to lend securities has a term of one year or less; (13) bankers' acceptances that (i) have a stated maturity of 270 days or fewer from the date of their issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible for borrowing from a Federal Reserve Bank, and (iv) are accepted by a bank organized and existing under the laws of the United States or any state, if short-term obligations of the accepting bank, or of the bank holding company of which the bank is the largest subsidiary, are rated at least "A-1" or "P-1" or the equivalent by at one nationally recognized credit rating agency; (14) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (i) two nationally recognized credit rating agencies or (ii) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (15) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; (16) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph; or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (17) guaranteed investment contracts that have a defined termination date are secured by obligations described in clause (1) above in an amount at least equal to the amount of bond proceeds invested under such contract, and are pledged to the County and deposited with the County or with a third party selected and approved by the County; (18) certain eligible investment pools if the Commissioners Court by order authorizes investment in that particular pool; and (19) any other investment that may be authorized now or in the future by Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act").

Investment Policy. Under Texas law, the County is required to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. The County adopted its current investment policy on January 8, 2019, effective March 1, 2019. All County and District funds must be invested in investments that are consistent with the operating requirements of the County.

County Retirement Program and Other Post-Employment Benefits

The Texas County and District Retirement System (the "System" or "TCDRS") administers a combined retirement program for officials and eligible employees of both the County and the District. The County provides retirement and disability benefits for all of its employees (excluding temporary employees) through a non-traditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the system. TCDRS does not receive State funding. Each plan is funded independently by participating counties, districts and employees. TCDRS in the aggregate issues a Comprehensive Annual Financial Report or "CAFR" on a calendar year basis. The 2018 CAFR is available at https://www.tcdrs.org/TCDRS%20Publications/2018CAFR.pdf.

The Texas Legislature created TCDRS in 1967. Since then, TCDRS has grown into a multi-billion dollar trust with more than 780 participating employers. TCDRS is a savings-based plan. TCDRS employers, such as the County and the District, advance fund their plans over the length of their employees' careers. Unlike traditional pension plans where the benefit is based on the final salary and length of career, the TCDRS benefit is based on the total final employee savings balance and employer matching. Also, with TCDRS, employers have flexibility and local control to choose benefit levels to meet their needs and budgets.

TCDRS commissions an annual actuarial valuation of the plan. The County's annual contribution rate is determined as a part of the annual actuarial valuation and consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 20-year amortization period which began December 31, 2008, using the entry age actuarial cost method. The County's required contribution rate for calendar year 2019 is 14.19% based upon a December 31, 2017 actuarial valuation date compared to 14.35% for calendar year 2018. The County elected to contribute 14.5% for calendar year 2018 and 15.1% for calendar year 2019. The County's net pension liability for the year ended December 31, 2018 was $917,219,910. This includes the District's portion of the net pension liability of $18,104,157. The fiduciary net position as a percentage of total pension liability at December 31, 2018 was 85.4%. For a description of the plan, including County and employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see Note 10: Retirement Plan to the County's CAFR attached hereto as APPENDIX B.

The County is subject to GASB 75, which requires the County to estimate the liabilities of its retiree healthcare plan (other post-employment benefits or "OPEB"), as well as recognize contribution amounts and reserves relating to its OPEB plans for current retirees and employees. The net OPEB liability for the County and District retiree health care benefits at February 28, 2019, was $1,921,558,059, using a 3.75% discount rate. The County may modify its OPEB plans in the future and such liabilities may change. See Note 11: Other Postemployment Benefits to the CAFR attached hereto as APPENDIX B.

Operating Funds Budget

On February 12, 2019, the Commissioners Court adopted the budget for the County for the Fiscal Year ending February 29, 2020 (the "Fiscal Year 2020 Budget"), which included appropriations for some capital projects which are financed from current revenues. The following is a summary of the Fiscal Year 2020 Budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2019	$	1,117,181,109
Estimated Revenues:		
Ad Valorem and Miscellaneous Taxes		1,579,355,957
Charges for Services		246,250,148
Fines and Forfeitures		19,200,156
Intergovernmental Revenues		51,207,059
Interest		10,543,755
Other		50,598,477
Total Cash and Estimated Revenues	$	3,074,336,661
Appropriations:		
Current Operating Expenses	$	3,054,036,114
Capital Outlay:		
Roads		8,945,892
Parks		9,470,043
Office & Courts		1,884,612
Total Appropriations	$	3,074,336,661

Tax Anticipation Borrowing

In the years prior to Fiscal Year 2017, the County engaged in a tax anticipation program for the purpose of providing funds for the payment of working capital expenditures of the County until ad valorem taxes were received. A concerted effort was made starting in 2012 to improve the County's financial condition to eliminate tax anticipation borrowing. This effort resulted in an annual reduction in tax anticipation borrowing until tax anticipation borrowing was eliminated in Fiscal Year 2017.

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General Fund Balances for Fiscal Years 2015-2019

The table below shows the County's General Fund balances for Fiscal Years 2015 through 2019. The information provided in such table was prepared using the modified accrual basis of accounting.

	2015[(a)]	2016[(a)]	2017[(a)]	2018[(a)]	2019[(a)]
Unrestricted Cash Balance	$ 841,818,040	$1,117,909,624	$1,373,982,700	$1,538,868,819	$1,670,575,919
Revenues/Other Sources	2,121,737,036	2,381,281,635	2,203,247,814	2,423,710,761	2,399,964,348
Expenditures/Other Uses	1,893,598,445	2,067,824,400	1,964,835,622	2,276,019,431	2,265,649,889
Fund Balance:					
Nonspendable	6,805,015	7,958,009	8,732,800	8,405,900	9,325,408
Restricted	462,288,937	530,902,666	546,613,629	512,962,739	532,074,026
Assigned	16,833,069	27,855,674	23,821,954	50,988,858	27,414,385
Unassigned	549,704,591	782,372,498	1,008,332,656	1,162,834,872	1,300,693,009
Total Fund Balances	$1,035,631,612	$1,349,088,847	$1,587,501,039	$1,735,192,369	1,869,506,828

(a) The amounts for the fiscal years shown above include the general fund, general fund debt service, public improvement contingency fund and mobility fund.

Source: Harris County Auditor's Office

The above information has been included in order to indicate the general economic health of the County. However, the Notes are secured only by the levy of ad valorem taxes, within the limits prescribed by law. Fund balances shown above are not available for debt service on the Notes except to the extent such fund balances represent collections of taxes levied for the Notes.

THE NOTES

The Order authorizing the Notes provides that the Notes may be issued for the purpose of providing funds for (i) paying for certain flood control projects of the District and (ii) paying costs of issuance.

The Notes may also be issued to refinance, renew or refund Notes, Loans and Loan Notes and to pay the costs and expenses of the issuance of the Notes, including fees for professional services.

On each date that Notes are initially issued, the Authorized Representative (as defined in the Order) shall designate the authorized purpose or purposes for which such Notes are to be issued.

The Notes will (i) be offered at par only, (ii) have a stated maturity date which shall be a business day not later than the first to occur of (a) 270 days from the date of issue or (b) the third business day prior to the date of expiration of the Liquidity Facility, (iii) pay par plus accrued interest at maturity and (iv) not be subject to prior redemption. The Notes will be payable at the office of U.S. Bank National Association, as the Issuing and Paying Agent. Interest on the Notes is payable on an actual/365-day basis for the actual number of days elapsed. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowable by law. A minimum purchase of $100,000 aggregate principal amount and multiples of $1,000 thereafter is required.

The Notes are issuable in book-entry form through the book-entry system of the Depository Trust Company, New York, New York ("DTC"). The District has issued a single Master Note for each series registered in the nominee name of DTC. The Master Notes have been deposited with the Issuing and Paying Agent under the terms of an Issuing and Paying Agent Agreement with the District. Physical notes will still be available in those instances where book-entry cannot be accomplished.

Liquidity Facility

The following summarizes certain provisions of the Credit Agreement, dated as of December 1, 2017, amended as of October 24, 2018 and further amended as of December 12, 2019 (the "Credit Agreement"), by and between the District and JPMorgan Chase Bank, National Association (the "Bank") relating to the Notes. The following summary does not purport to be a full and complete statement of the provisions of the Credit Agreement, which should be read in full for a complete understanding of all the terms and provisions thereof. Capitalized terms not defined under this caption "Liquidity Facility" have the meanings ascribed to such terms in the Credit Agreement.

Pursuant to the Credit Agreement, the Bank committed, subject to certain terms and conditions, to provide a revolving line of credit for the purpose of making advances ("Advances") to the District for the payment from time to time of the principal of any or all maturing Notes. The initial amount of the commitment (the "Commitment") under the Credit Agreement is $500,000,000, subject to reduction from time to time pursuant to the Credit Agreement. The Bank has agreed to make Advances to the District under the Credit Agreement in an amount not to exceed on the date of any Advance the Commitment less the aggregate amount of Advances or Term Loans outstanding (such amount, the "Available Commitment").

The Commitment and the obligation of the Bank to make Advances thereunder shall expire or terminate on the first to occur of (i) December 10, 2021, as such date may be extended pursuant to the Credit Agreement (the "Final Date"), (ii) the date that the amount of the Commitment is permanently reduced to $-0- pursuant to the Credit Agreement, including as a result of the delivery of a credit agreement in substitution of the Credit Agreement, or (iii) the date the Commitment is terminated pursuant to the Credit Agreement and as described below under "Events of Default and Remedies" (such date being the "Termination Date").

On or after the date which is 120 days prior to the Final Date, the District may submit a written request to the Bank to extend the Final Date for a time mutually acceptable to the Bank and the District. The Bank has agreed to deliver the Bank's response in writing to the District within 30 days from the date of receipt of such request. Failure by the Bank to respond to the District's request for extension within such time period shall be considered a rejection of such request. If the Bank, in its sole discretion, agrees to such extension, then the Bank and the District shall enter into an amendment of the Credit Agreement and the District has agreed to deliver a copy of any such amendment, executed by both of the parties thereto, to the Issuing and Paying Agent, the Dealer, and to the rating agencies.

Non-Issuance Instruction

(a) Upon the occurrence and continuance of an Event of Default (as described below under the caption "Events of Default and Remedies"), the Bank shall have the right to deliver to the District and the Issuing and Paying Agent a written notice (a "Non-Issuance Instruction") to the effect that, upon receipt of such Non-Issuance Instruction, no new Notes, other than as permitted under the Credit Agreement, shall be issued or authenticated. Any Non-Issuance Instruction given by the Bank to the District and to the Issuing and Paying Agent in accordance with the Credit Agreement shall specify the then existing Event of Default which is the basis for the delivery of the Non-Issuance Instruction. If the Bank shall, as permitted by the Credit Agreement, deliver a Non-Issuance Instruction to the District and the Issuing and Paying Agent on or before 10:30 a.m. New York City time on a Business Day, then the District shall not, and shall cause the Issuing and Paying Agent not to, issue, authenticate or deliver any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in paragraph (b) of this caption "Non-Issuance Instruction") from and after such Business Day until such time as all previously delivered Non-Issuance Instructions have been revoked by the Bank as provided in paragraph (d) under this caption "Non-Issuance Instruction." The District shall not, under any circumstances, so long as any Non-Issuance Instruction remains in effect, request the Dealer to purchase or sell any Notes (other than Notes permitted to be issued, authenticated and delivered as provided in paragraph (b) under this caption "Non-Issuance Instruction").

(b) Paragraph (a) under this caption "Non-Issuance Instruction" notwithstanding, the District and the Issuing and Paying Agent may issue, authenticate and deliver Notes (i) on the date of receipt of a Non-Issuance Instruction if such Non-Issuance Instruction is received after 10:30 a.m. New York City Time on such date, (ii) pursuant to a written agreement between the District and the Dealer to which the Bank has previously consented to in writing with respect to agreements for the sale of Notes concluded by the Dealer prior to the Dealer's receipt of notice from the Bank, the Issuing and Paying Agent or the District of a Non-Issuance Instruction, or (iii) which constitute Refunding Notes if the Non-Issuance Instruction permits the issuance of Refunding Notes. For purposes of this paragraph, an agreement for the sale of Notes shall be deemed concluded when it has become a final agreement in accordance with the customary practice of commercial paper dealers or placement agents in New York City. Nothing in this paragraph (b) shall limit the right of the Bank to exercise any other remedies under the Credit Agreement.

(c) Concurrently with the giving of any Non-Issuance Instruction to the District and the Issuing and Paying Agent, the District shall give notice thereof to each Dealer and each Rating Agency (in each case to the extent each such Rating Agency then provides an investment rating with respect to the Notes), but the failure of the District to do so shall not impair the effectiveness of any such Non-Issuance Instruction.

(d) Any Non-Issuance Instruction may be revoked by the Bank at any time by written notice delivered to the District and the Issuing and Paying Agent.

Events of Default and Remedies

Each of the following shall constitute an "Event of Default" under the Credit Agreement:

(a) The District fails to pay any fees, expenses or other amounts (other than an Advance) payable under the Credit Agreement within 60 days after receipt of an invoice therefor; or

(b) A breach or failure of performance by the District of certain specified covenants as provided in the Credit Agreement; or

(c) A breach or failure of performance by the District of any covenant, condition, or agreement on its part to be observed or performed contained in the Credit Agreement (other than a breach or failure covered by another paragraph described under the caption "Events of Default" or "Special Events of Default" herein) and any such breach or failure (if capable of remedy) continues for a period of 30 days after notice thereof from the Bank to the District; or

(d) Any of the District's representations or warranties made or deemed made in the Credit Agreement or in any statement or certificate at any time given pursuant thereto or in connection therewith proves at any time to have been false or misleading in any material respect when made and any such false or misleading statement or certificate (if capable of remedy) continues for a period of 10 days after notice thereof from the Bank to the District; or

(e) Any provision of the Credit Agreement or the Bank Note ceases to be valid and binding or the District contests any such provision, or the District or any agent or trustee on behalf of any of them, denies that it has any further liability under any provision of the Credit Agreement or the Bank Note, in each case other than as described in paragraph (i) under "Special Events of Default" herein; or

(f) Entry of filing of any judgment, order, writ or warrant of attachment in an amount in excess of $20,000,000 against the District or the County or against any of their respective property and failure of the District or the County, as applicable, to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 60 days or a failure to pay or satisfy such judgment within 60 days or as otherwise required by such judgment, writ or warrant of attachment; or

(g) (i) The principal of or interest on any Debt of the District in excess of $25,000,000 in the aggregate is not paid when due or any such Debt has been accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any Debt of the District in excess of $25,000,000 in the aggregate to accelerate such Debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the District of an option to prepay any Debt prior to the stated maturity thereof, in each case for a reason other than as described in another paragraph under the caption "Events of Default" or "Special Events of Default" herein; or

(h) The District Debt Rating falls below "A" by Fitch and "A" by S&P; or

(i) The District fails to pay when due and payable, after giving effect to any applicable grace period, the principal on the Notes (other than the principal on the Notes for which an Advance has been requested); or

(j) The occurrence and continuance of any "event of default" (however denominated) under any other Related Document or under any other agreement between the District or the County and the Bank.

Actions Taken in Respect of Events of Default. Upon the occurrence and continuance of an Event of Default, the Bank may take one or more of the following actions: (a) give a Non-Issuance Instruction to the District and the Issuing and Paying Agent as provided in the Credit Agreement (as described above under "Non-Issuance Instruction"), (b) by written notice delivered to the District and the Issuing and Paying Agent, (i) terminate the Commitment in whole (except for the obligation of the Bank, existing as of the time of the written notice to terminate the Commitment in whole, to make Advances to fund then outstanding Notes on the date such notice is given) and (ii) to the extent permitted by law, declare all amounts payable by the District to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be forthwith due and payable without presentment, demand, protest, all of which are expressly waived by the District in the Credit Agreement; provided, however, notwithstanding anything to the contrary stated in the Credit Agreement, upon the occurrence of an Event of Default described above under "Events of Default", any amounts payable by the District to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, shall not become due and payable prior to the earlier of (x) the date on which the District has unrestricted legally available funds appropriated to make payment thereof and (y) February 1 of the calendar year immediately following the date the District next adopts an order levying ad valorem taxes on tangible property within the limits of the District; and provided, further, that interest on the Bank Notes, the Advances and other amounts payable under the Credit Agreement shall bear interest at the Default Rate (as defined in the Credit Agreement) so long as any Event of Default is continuing.

Special Events of Default

Each of the following shall constitute a "Special Event of Default" as well as an "Event of Default" under the Credit Agreement:

(a) The District fails to pay the principal amount of any Advance on the scheduled due date or the interest on any Advance on the scheduled due date; or

(b) The District or the County (i) applies for or consents to the appointment of or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or of a substantial part of its property or assets, (ii) admits in writing its inability, or is generally unable, to pay its debt as such debt becomes due, (iii) makes a general assignment for the benefit of creditors or declares a moratorium with respect to its debt, (iv) commences a voluntary case under the Bankruptcy Code, (v) files a petition seeking to take advantage of any other laws relating to bankruptcy, insolvency, reorganization, liquidation, winding up, or composition or adjustment of debts, or (vi) acquiesces in writing to, or fails to controvert in a timely and appropriate manner, any petition filed against it in an involuntary case filed under the Bankruptcy Code (as now or hereafter in effect) seeking liquidation or reorganization with respect to a substantial part of its assets; or

(c) Without the application or consent of the District or the County, as the case may be, a case or other proceeding is commenced in any court of competent jurisdiction seeking (i) the reorganization, dissolution, winding up, liquidation, or composition or readjustment of the debt of the District or the County or (ii) the appointment of a trustee, receiver, custodian, liquidator, or the like of the District or the County or any substantial part of the assets thereof, and such case or proceeding continues undismissed, or an order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect, for a period of 60 consecutive days, or an order for relief in respect of the District or the County is entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or

(d) The State of Texas or any other Governmental Authority having jurisdiction over the District or the County, as the case may be, imposes a debt moratorium, debt restructuring or comparable restriction on repayment when due and payable of the principal of or interest on the debt of the District or the County; or

(e) The authority of the District under the Order is limited as a result of federal, state, or municipal legislative or administration action or a final non-appealable judgment by any court having jurisdiction over the District or the County, as applicable, so as to prevent the District or the Commissioners Court on its behalf from exercising its power to levy taxes sufficient in amount to pay the principal of and interest on any Advance, the Bank Note or any Note when due or as a result of any judgment or other decree by any court having jurisdiction over the District or the County, as applicable, the District or the Commissioners Court on its behalf is unable to set tax rates or collect revenues in a timely manner sufficient in amount to pay the principal of and interest on any Advance, the Bank Note or any Note when due; or

(f) (i) The Credit Agreement in its entirety, (ii) any provision thereof relating to the District's ability (A) to make payments to the Bank for principal and interest on the Bank Notes, (B) to make payments of principal and interest on the Notes or (C) to raise necessary funds to meet such payment obligations, or (iii) any other material provision of the Credit Agreement relating to the payment of principal and interest on the Bank Notes or on the Notes, as applicable, as a result of federal, state, or municipal legislative or administration action or a final non-appealable judgment by any court having jurisdiction over the District ceases to be valid and binding on the District in accordance with its terms, or is declared to be null and void in a final non-appealable judgment by a court of competent jurisdiction, or the validity or enforceability thereof is contested by the District or the County or a proceeding is commenced by the District or the County seeking to establish the invalidity or unenforceability thereof; or

(g) The District Debt Rating shall be (i) withdrawn or suspended or reduced below "BBB-" by Fitch and (ii) withdrawn or suspended or reduced below "BBB-" by S&P in each case with respect to a withdrawal or suspension, unless such Rating Agency states that such withdrawal or suspension is for reasons that are not credit related; or

(h) Failure to pay or satisfy any final, non-appealable judgment, order, writ or warrant of attachment in an amount in excess of $25,000,000 against the District or the County or against any of its respective property within 60 days without staying enforcement thereof;

(i) Any provision of the Credit Agreement or the Bank Note relating to the payment of principal or interest on the Advances ceases to be valid and binding, or an authorized representative of the District or the County contests any such provision, or the District or the County or any authorized agent or trustee on behalf of any of them, publicly or in writing denies that it has any further liability under any provision of the Credit Agreement or the Bank Note relating to the payment of principal or interest on the Advances; or

(j) (i) The principal of or interest on any Parity Debt is not paid when due in the aggregate or the maturity of any such debt is accelerated or such obligation is otherwise required to be prepaid prior to the stated maturity thereof or (ii) any event shall occur permitting the holder or holders of any Parity Debt to accelerate such debt or require repayment thereof prior to stated maturity thereof, but not including as such an event the exercise by the District of an option to prepay any Parity Debt prior to the stated maturity thereof, in each case for a reason other than as described in another paragraph under this caption "Special Events of Default"; or

(k) The District fails to pay when due and payable, after giving effect to any applicable grace period, the interest on the Notes or the principal of and interest on any of its Parity Debt (other than such debt consisting of the obligation of another Person guaranteed by the District).

Actions Taken in Respect of Special Events of Default. Upon the occurrence and continuance of a Special Event of Default, the Bank may take one or more of the following actions: (i) those actions described above under the caption "Actions Taken in Respect of Events of Default," (ii) by written notice delivered to the District and the Issuing and Paying Agent, (A) terminate the Commitment in whole whereupon the Commitment shall immediately terminate and the Bank shall have no further obligation to make Advances under the Credit Agreement, and, (B) to the extent permitted by law, declare all amounts payable by the District to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, to be forthwith due and payable, whereupon such amounts shall immediately become due and payable, without presentment, demand, protest, all of which are expressly waived by the District in the Credit Agreement, and/or (iii) pursue any other remedy available to the Bank at law or in equity; provided, however that the failure of the Bank to provide the written notice provided for in clause (ii) above of this paragraph shall not preclude the Bank from exercising the remedies described in such clause (ii); and provided, further that, to the extent that the Bank pursues the rights granted to it under clause (ii)(B) above, the District shall pay to the Bank such amounts from any unrestricted funds legally available, and following the default, appropriated by the District, for such purpose as described above and to the extent that the District's legally available and appropriated funds are insufficient to pay such amounts upon demand, the amount of such deficiency shall not become due and payable prior to the earlier to occur of (x) the date on which the District has appropriated unrestricted legally available funds to pay all or a portion of the deficiency or (y) February 1 of the calendar year immediately following the date the District next adopts an order levying ad valorem taxes on tangible property within the limits of the District; and provided, further, that upon the occurrence and during the continuance of any Event of Default all unpaid amounts owing under the Credit Agreement or the Bank Note shall bear interest at the

Default Rate (as defined in the Credit Agreement). The foregoing provisions of this paragraph notwithstanding, upon the occurrence of a Special Event of Default described in paragraph (b), (c), or (d) above under the caption "Special Events of Default," the Commitment shall automatically terminate and the Bank Note and all then outstanding Advances shall be deemed to be immediately and automatically tendered for payment in full by the District, and, to the extent permitted by law, all amounts payable by the District to the Bank under the Credit Agreement and under the Bank Note, including, without limitation, all outstanding Advances, shall become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are expressly waived by the District in the Credit Agreement.

No Remedy Exclusive. The rights and remedies of the Bank under the Credit Agreement shall be cumulative and not exclusive of any rights or remedies which it would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

Definitions

"Bank Note" means the promissory note of the District delivered to the Bank to evidence Advances from time to time made by the Bank under the Credit Agreement.

"Bankruptcy Code" means 11 U.S.C. Section 101, et seq., as amended, and any successor statute thereto.

"Business Day" means any day other than (i) a Saturday, Sunday, or other day on which commercial banks located in the States of New York or Texas are authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

"Commissioners Court" means the Harris County Commissioners Court, the governing body of the District.

"Dealer" means the District's commercial paper dealer or co-commercial paper dealers appointed pursuant to the Order, initially Citigroup Global Markets Inc.

"Dealer Agreement" means the Dealer Agreement, dated as of December 1, 2017, between the District and the Dealer (together with any amendments or replacements thereto or any successor agreement thereto).

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, including without limitation, obligations secured by any of the revenues or assets of such Person and all obligations of such Person evidenced by bonds (including revenue bonds), debentures, notes or other similar instruments, (ii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iii) all obligations of such Person as lessee under capital leases, (iv) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (v) all Debt of others guaranteed by, or secured by any of the revenues or assets of, such Person.

"District Debt Ratings" means the ratings assigned by Fitch and S&P to the general obligation debt of the District without regard to third party credit enhancement.

"Fee Agreement" means that certain Second Amended and Restated Fee Agreement dated as of December 12, 2019, between the District and the Bank, as the same may be amended and supplemented from time to time and any agreement entered into in substitution thereof.

"Fitch" means Fitch Ratings, Inc., and its successors and assigns.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, and any Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the government.

"Issuing and Paying Agency Agreement" means the Issuing and Paying Agency Agreement, dated as of December 12, 2017, between the District and the Issuing and Paying Agent (together with any amendment or supplements thereto or any successor agreement thereto).

"Issuing and Paying Agent" means the Person acting in such capacity on behalf of the District in connection with the Notes, or any successor issuing and paying agent appointed by the District, initially U.S. Bank National Association.

"Note Authorization" means the Order and any written direction to the Issuing and Paying Agent directing the issuance of Notes.

"Order" means the order of the District authorizing the issuance and sale of the Notes, as it may from time to time be amended or supplemented pursuant to the provisions contained therein and the Credit Agreement.

"Parity Debt" means the debt of the District secured by ad valorem property taxes levied by the Commissioners Court on behalf of the District.

"Person" means a natural person, corporation (which shall be deemed to include a business trust), unincorporated organization, a government or any department or agency thereof, association, company, partnership, or any other entity.

"Rating Agencies" means Fitch and S&P.

"Refunding Notes" means any Notes issued by the District the proceeds of which are used solely to pay the maturing principal of previously issued Notes or the Bank Note.

"Related Documents" means and includes (without limitation) the Credit Agreement (including the Fee Agreement), the Notes from time to time issued by the District, the Note Authorization, the Issuing and Paying Agency Agreement, the Order, the Dealer Agreement and the Bank Note and any and all other documents which the District has executed and delivered, or may hereafter execute and deliver, to evidence or secure the District's obligations thereunder.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC, its successors and assigns.

"Term Loan" means a term loan made from the Bank to the District in accordance with the Credit Agreement. Unless the context indicates otherwise, each Term Loan shall be treated as and deemed an Advance for purposes of the Credit Agreement.

Depository Trust Company

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such a maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or the Issuing and Paying Agent as set forth in the Order. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

PENDING LITIGATION

The County and the District are defendants in various lawsuits and are aware of pending claims arising in the ordinary course of the performance of governmental functions, certain of which may seek substantial damages. Such litigation includes lawsuits claiming damages that allege personal injuries, wrongful deaths and property damage and lawsuits alleging discriminatory hiring and firing practices; various claims from contractors for amounts under construction contracts; inverse condemnation claims; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal.

As a result of flooding related to Hurricane Harvey, the County and the District were defendants in several lawsuits recently filed by landowners. See "HURRICANE HARVEY."

The County and the District intend to defend themselves against these suits vigorously. The County and the District cannot predict, as of the date hereof, the final outcome of any of such claims and suits. In the opinion of management of the County and the District, it is improbable that lawsuits now outstanding against the County and the District that are associated with the respective operations of the County and the District could become final in a time and manner so as to have a material adverse financial impact upon the operations of the County and the District.

ENVIRONMENTAL REGULATION

General

The County is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the County may be required to expend substantial funds to meet the requirements of such regulatory authorities.

Air Quality

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act

("CAA") Amendments of 1990, the eight county Houston Galveston-Brazoria Area (the "HGB Area") has been designated by the EPA as a non-attainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remained subject to CAA nonattainment requirements.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that the HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). 81 Fed. Reg. 78691 (Nov. 8, 2016).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018). The court vacated the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area was designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018; however, the EPA determined that the HGB Area failed to meet the attainment deadline. Effective September 23, 2019, the HGB Area is now designated as a "Serious" nonattainment area. The State will be required to submit State Implementation Plan revisions to the EPA by August 3, 2020. The HGB Area could be subject to more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "marginal" nonattainment area for the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to attainment the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Other constraints on economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

Area Topography and Land Subsidence

The land surface in certain areas of the County has subsided several feet over the past 75 years and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975, the Texas Legislature created the Harris-Galveston Coastal Subsidence District ("Subsidence District") to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, has required most suppliers of water to reduce consumption of groundwater and to convert their primary source of supply to surface water.

With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. However, Subsidence District regulations that require conversion to surface water can be costly to industries, municipalities and other water suppliers since the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. The per unit cost of supplying surface water is substantially higher due to the greater cost of treatment and transportation. In response to the Subsidence District's requirements, local municipalities within the County, water authorities and water districts have initiated several measures and programs to provide treated surface water in the region, including the negotiation and execution of water supply contracts and capital cost sharing agreements to support the development and expansion of water purification plants in the region.

Periodic Flooding

Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of rain events, tropical storms and hurricanes. See "HURRICANE HARVEY" below. The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities.

Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek in the County studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

HURRICANE HARVEY

Hurricane Harvey made landfall on August 25, 2017 near Corpus Christi, Texas, 200 miles south of the County. Over the next four days, the storm dumped an average of 33 inches of rain on the County with some areas receiving over 50 inches of rain. This was primarily a historic flooding event, with the County sustaining minimal damage from wind, storm surge or other factors traditionally associated with a hurricane. The County incurred costs for emergency operations during the storm, debris removal after the storm and other recovery costs, most of which is expected to be reimbursed by FEMA. Four buildings, including the Criminal Justice Building and Jury Assembly downtown along with two annexes located in the northwest part of the County were severely damaged, while a number of smaller buildings around the County received relatively minor damage. The combination of FEMA funding (of which the County has received approximately $65.9 million) and insurance coverage is expected to cover most of the cost of repairing these buildings. The County plans to make some capital improvements to both the downtown buildings to both improve the operations and efficiency as well as to reduce exposure for losses should similar flooding reoccur. Capital improvements to buildings are typically funded with the issuance of commercial paper.

Property values were temporarily impacted for homes that sustained flood damage and that were still being repaired on January 1, 2018, the date on which property values are set for the current fiscal year's ad valorem property taxes. These homes, once repaired, are expected to return to pre-storm values. The ad valorem tax levy delivered by the Harris County Appraisal District to the County in August 2019 showed a net increase in taxable value of over 3%, despite the Harvey related reductions. So the impact of the storm on the County's revenue for FY 2019 is not significant, due primarily to new construction of homes and businesses during calendar year 2018 and continued net increases in property not damaged by the flooding.

In response to the historic flooding experienced as a result of Hurricane Harvey, the District held a bond election on August 25, 2018, to coincide with the one-year anniversary of the storm. At the election voters approved $2,500,000,000 in bonds for the purpose of financing flood control projects, including the purchase of lands, easements, rights-of-way and structures, and for the acquisition and construction of detention basins, channel modifications and other improvements and works suitable for use in connection with flood damage reduction. With the authorization from the bond election on August 25, 2018, the District now has an aggregate of $2,564,000,000 of voter-approved bonding capacity, of which $2,549,100,000 remains unissued. The County has commenced work on sixty percent (60%) of planned projects to be bond-financed or paid with funds received from FEMA. The District also receives currently an annual allocation of $135 million of budget authorization funded from property tax revenue for use in flood control efforts. As a result of Hurricane Harvey and other major flooding events over the last few years, several potential changes to the local system of watersheds, reservoirs and channels are being considered, some of which would require significant additional funding, including State and Federal funds, as well as additional County and District resources. Proposals to enhance the system will be developed and funding identified over the next several years.

In 2018, the Harris County Engineering Department, with direction from Commissioners Court, established the Recovery and Resiliency Division (the "RRD") to oversee engineering projects dedicated to the reduction of flood risk. The RRD is one of eight divisions within the Harris County Engineering Department that executes the planning, study, design and construction of various infrastructure, parks and other architectural and maintenance projects in accordance with engineering design standards and specifications.

TROPICAL STORM IMELDA

Tropical Storm Imelda caused flooding damage in portions of the County on September 19, 2019. The Governor has declared the damaged areas to be a "disaster area" and, on October 4, 2019, the federal government issued a disaster declaration. The County has identified an estimated $2.5 million in damage to County buildings and infrastructure, but the County is still in the process of assessing the full extent of the damage. Therefore, the financial impact on the County cannot be determined at this time.

FINANCIAL AND OTHER INFORMATION

The County and the District each require that an annual audit be performed by an independent public accounting firm in accordance with generally accepted auditing standards. Attached hereto as APPENDIX B and APPENDIX C are the audited financial statements for the fiscal year ended February 28, 2019, of the County and the District, respectively. The Fiscal Year 2019 audits and additional financial information are available for public inspection, or copies may be obtained to the extent permitted by law, by written request, addressed to the County Auditor.

Pursuant to SEC Rule 15c2-12 (the "Rule"), the County and the District have agreed to provide annual updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Market Access System ("EMMA"), in connection with the issuance of its bonds or notes that are not otherwise exempt. (Exempt obligations include the Notes.) The information to be updated includes quantitative financial information and operating data with respect to the County and the District, including estimated County-wide and overlapping ad valorem tax debt. The County and the District have agreed to update and provide this information within six (6) months after the end of each fiscal year.

The County and the District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the County and the District commission an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the County and the District will provide unaudited financial statements and audited financial statements when and if the audit becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B and APPENDIX C or such other accounting principles as the County and the District may be required to employ from time to time pursuant to State law or regulation.

The County's and the District's current fiscal year end is the last day of February. (As used herein, each fiscal year will be defined by the beginning and ending years in which the last year ends on the last day of February; i.e., the current fiscal year is referred to herein as "Fiscal Year 2019/2020"). Accordingly, the County and the District are each required to provide (and have provided) updated information by August 31 in each year, unless the County or the District changes its fiscal year. If the County or the District changes its fiscal year, it will notify the MSRB.

RATINGS

S&P has assigned a rating of "A-1+" to the Notes and Fitch has assigned a rating of "F1+" to the Notes. The ratings reflect only the views of the rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of the Notes. The District and the County will undertake no responsibility to notify the owners of the Notes of any such revisions or withdrawals of the ratings.

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For Further Information - Please Contact:

District
Harris County Flood Control District
County Administration Building
Budget Management Department
1001 Preston, Suite 500
Houston, Texas 77002
Attention: Executive Director
Telephone: (713) 274-1100
Fax: (713) 437-5869

County
Harris County, Texas
County Administration Building
Budget Management Department
1001 Preston Street, Suite 500
Houston, Texas 77002
Attention: Executive Director
Telephone: (713) 274-1100
Fax: (713) 437-5869

Dealer
Citigroup Global Markets Inc.
388 Greenwich Street, 8th Floor
New York, New York 10013
Attention: Short-Term Tax-Exempt Trading
Telephone: (212) 723-7082

APPENDIX A

CERTAIN INFORMATION CONCERNING JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association, a national banking association ("JPMorgan Chase Bank, N.A.), is one of the principal bank subsidiaries of JPMorgan Chase & Co. JPMorgan Chase Bank, N.A. offers a wide range of banking services to its customers both in the United States and internationally, including investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. JPMorgan Chase Bank, N.A. is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency, a bureau of the U.S. Department of the Treasury. As of December 31, 2018, JPMorgan Chase Bank, N.A. had total assets of $2.2 trillion and total stockholder's equity of $214.2 billion. On May 18, 2019, Chase Bank USA, National Association merged with and into JPMorgan Chase Bank, N.A., with JPMorgan Chase Bank, N.A. as the surviving bank.

JPMorgan Chase Bank, N.A. files quarterly Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices ("Call Reports") with the Federal Financial Institutions Examinations Council (the "FFIEC"). The non-confidential portions of the Call Reports can be viewed on the FFIEC's website at https://cdr.ffiec.gov/public. The Call Reports are prepared in accordance with regulatory instructions issued by the FFIEC and do not in all cases conform to U.S. generally accepted accounting principles ("GAAP").

Additional information concerning JPMorgan Chase Bank, N.A., including the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by JPMorgan Chase & Co. with the Securities and Exchange Commission (the "SEC"), as they become available, can be viewed on the SEC's website at www.sec.gov. Those reports and additional information concerning JPMorgan Chase Bank, N.A. can also be viewed on JPMorgan Chase & Co.'s investor relations website at http://investor.shareholder.com/jpmorganchase.

The information contained in this Appendix relates to and has been obtained from JPMorgan Chase Bank, N.A. The delivery of the Commercial Paper Offering Memorandum shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank, N.A. since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date

APPENDIX B

COUNTY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED FEBRUARY 28, 2019

HARRIS COUNTY, TEXAS

Basic Financial Statements

For The Fiscal Year Ended

February 28, 2019

Prepared By:
Michael Post, CPA, MBA
County Auditor
1001 Preston, Suite 800
Houston, Texas 77002

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

County Judge Lina Hidalgo
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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas (the "County"), as of and for the year ended February 28, 2019, and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of the following discretely presented component units: Harris County Hospital District, Harris Center for Mental Health, and IDD, Harris County Housing Finance Corporation, Harris County Industrial Development Corporation and the Children's Assessment Center Foundation, Inc. which represent 100% of the assets, the net position and the revenues of the discretely presented component units. We did not audit the financial statements of the following agency funds: the Harris County Clerk Registry Fund and the Harris County District Clerk Registry Fund, which collectively represent 31% of the assets of the agency funds. We also did not audit the financial statements of the Harris County Sports & Convention Corporation and the Harris County Redevelopment Authority, nonmajor governmental funds, which represent 5% of assets, 5% of the fund balances, and 3% of the revenues of the nonmajor governmental funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, agency funds and nonmajor governmental funds for the above noted entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas, as of February 28, 2019 and the respective changes in financial position, and, where applicable, cash flows 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 15-28, Schedule of Available Resources – Budget and Actual Budgetary Basis – General Fund, and the Schedule of Expenditures and Other Uses – Budget and Actual Budgetary Basis – General Fund, Notes to the Required Supplementary Information, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Changes in Net Pension Liability and Related Ratios – HCSCC, and the Texas County and District Retirement System - Schedule of Employer Contributions on pages 103-114 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 and other auditors 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.

Deloitte & Touche LLP

August 23, 2019

This section of the Harris County, Texas (the "County") Comprehensive Annual Financial Report ("CAFR") presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended February 28, 2019. Please read it in conjunction with the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at February 28, 2019 by $11,695,100,378. This is an increase of $671,977,791 from the previous year when assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources by $11,023,122,587 (restated, Note 1).

Total net position of the primary government is comprised of the following:

(1) Net investment in capital assets of $10,622,494,816 includes land, improvements, buildings, infrastructure, intangible assets, construction in progress, and other capital assets, net of accumulated depreciation/amortization, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction of capital assets.

(2) Net position of $1,797,370,951 is restricted by constraints imposed from outside the County such as debt obligations, laws, or regulations, including restrictions related to Toll Road and Mobility funds.

(3) Unrestricted net position represents the portion available to meet ongoing obligations to citizens and creditors. Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"), the unrestricted net position became a negative $724,765,389. Note 1 and Note 11 to the financial statements provides additional details on GASB 75 changes.

Governmental Fund Financial Statements

- As of February 28, 2019, County governmental funds reported combined fund balances of $2,470,703,209. This reflects an increase of $65,899,169 from the previous fiscal year. The current year total consists of combined nonspendable fund balance of $12,684,465, restricted fund balance of $1,087,144,013, committed fund balance of $46,797,268, assigned fund balance of $40,139,177, and unassigned fund balances of $1,283,938,286 for fiscal year 2019.

- The General Fund is used to account for the general operations of the County, limited-tax permanent improvement debt service of the County, public improvement contingencies, and the mobility program. At the end of the fiscal year, the unassigned fund balance of the County's General Fund was $1,287,968,217. The General Fund had a nonspendable fund balance of $9,325,408, restricted fund balance of $532,074,026, and assigned fund balance of $40,139,177 at February 28, 2019.

- During the fiscal year, the Harris County Toll Road Authority transferred $135 million of surplus toll road revenue to the mobility program which is accounted for within the General Fund. Mobility program monies are restricted by Section 284.0031 of the Texas Transportation Code for the study, design, construction, maintenance, repair or operation of roads, streets, highways, or other related facilities. The mobility program may not be used for the general operations of the County. The General Fund's cash and investment balance at February 28, 2019 includes $288 million that belongs to the mobility program. Because of the legal restrictions imposed on the mobility program, $267,754,297 of the fund balance in General Fund is restricted for mobility at February 28, 2019.

- The nonmajor governmental funds had total combined fund balances of $601,196,381 at February 28, 2019. Of this amount, $3,359,057 is nonspendable, $555,069,987 is restricted ($193,954,145 for special revenue funds, $85,799,779 for debt service and $275,316,063 for capital projects funds), $46,797,268 is committed, and a negative $4,029,931 is unassigned.

Long-Term Debt
The County issues debt to finance an ongoing capital improvement program. During fiscal year 2018-2019, the County issued $214.1 million in commercial paper and no refunding bonds were issued. Note 9 to the financial statements provides details of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements. This report also contains other supplementary information.

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

The Statement of Net Position presents information on all County assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two representing net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial condition of the County.

The Statement of Activities presents information that indicates how net position changed during the 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.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include administration of justice, parks, county administration, health and human services, flood control, tax administration, and roads and bridges. The business-type activities of the County include toll road, parking facilities, and sheriff's commissary fund activities.

Component units are included in the basic financial statements. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The County's component units have been reported as blended with the County as the primary government or as discrete (separate) component units, as appropriate. The following component units have been included in this year's report: Harris County Flood Control District, Harris County Sports and Convention Corporation, Harris County Redevelopment Authority, Harris County Hospital District, dba Harris Health System, Harris County Housing Finance Corporation, Harris Center for Mental Health and IDD (formerly MHMRA of Harris County), Harris County Industrial Development Corporation, Children's Assessment Center Foundation, Inc., Harris County Health Facilities Development Corporation, Harris County Cultural Education Facilities Finance Corporation, and Friends of Countypets. For more detailed information on these component units, refer to Note 1A of the basic financial statements.

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 County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports 70 governmental funds, which in some cases are aggregated individual funds (e.g., grant funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single aggregated presentation.

Proprietary funds are used for two purposes: Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Also, the County uses enterprise funds to account for toll road operations, acquisition, operation and maintenance of parking facilities, and operation of a commissary for jail inmates. Internal service funds are used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its maintenance of County vehicles, operation of County radios, operation of the printing shop services provided by inmates, workers compensation, health insurance and other risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Toll Road Authority fund is considered to be a major fund of the County. Parking Facilities and Sheriff's Commissary funds are combined as nonmajor enterprise funds for the basic financial statements, but are presented individually in the fund financial statements that follow the required supplementary information. The County's internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

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 County's own programs. The County's fiduciary funds are comprised of 17 agency funds. Agency funds are used to report resources held by the County in a purely custodial capacity (assets equal liabilities) and therefore do not involve 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 41 of this report.

Required Supplementary Information for the County's General Fund budgetary schedule is presented herein. The County adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget.

Also presented in this section are the Schedule of Funding Progress for Other Postemployment Benefits, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions. Required supplementary information can be found beginning on page 103 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

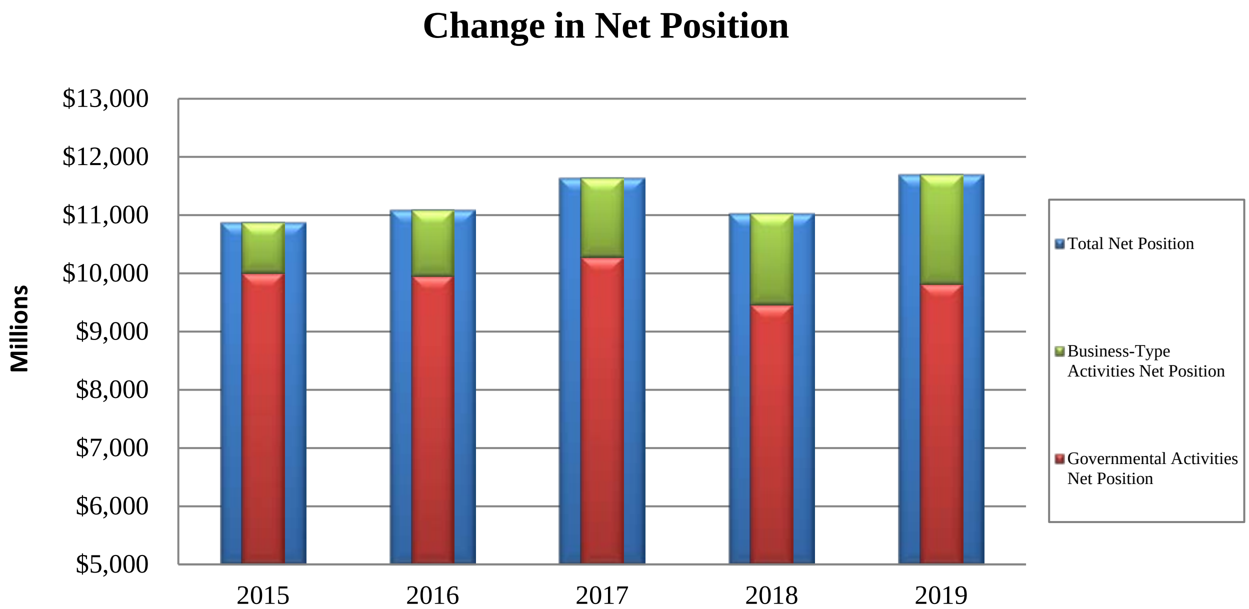
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $11,695,100,378 for fiscal year 2019 and $11,023,122,587 (restated) for fiscal year 2018. Revenues exceeded expenses during the current year, increasing net position by $671,977,791.

Condensed Statement of Net Position
February 28, 2019
(Amounts in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 3,065,125	$ 1,745,229	$ 4,810,354
Capital assets	12,155,315	2,820,003	14,975,318
Total assets	15,220,440	4,565,232	19,785,672
Deferred outflows of resources	413,422	117,572	530,994
Current and other liabilities	433,604	187,889	621,493
Long-term liabilities (including current portion)	5,354,406	2,584,435	7,938,841
Total liabilities	5,788,010	2,772,324	8,560,334
Deferred inflows of resources	25,653	35,579	61,232
Net position:			
Net investment in capital assets	9,970,087	652,407	10,622,494
Restricted	603,882	1,193,489	1,797,371
Unrestricted	(753,770)	29,005	(724,765)
Total net position	$ 9,820,199	$ 1,874,901	$ 11,695,100

Condensed Statement of Net Position
February 28, 2018
(Amounts in thousands)

	Primary Government (Restated)		
	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 2,947,674	$ 1,736,943	$ 4,684,617
Capital assets	11,910,690	2,500,734	14,411,424
Total assets	14,858,364	4,237,677	19,096,041
Deferred outflows of resources	98,817	108,792	207,609
Current and other liabilities	518,797	145,398	664,195
Long-term liabilities (including current portion)	4,879,528	2,599,528	7,479,056
Total liabilities	5,398,325	2,744,926	8,143,251
Deferred inflows of resources	96,234	41,043	137,277
Net position:			
Net investment in capital assets	9,712,615	478,075	10,190,690
Restricted	533,641	1,086,964	1,620,605
Unrestricted	(783,634)	(4,539)	(788,173)
Total net position	$ 9,462,622	$ 1,560,500	$ 11,023,122



The largest portion of the County's current fiscal year net position, $10,622,494,816, is invested in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the County's current fiscal year net position, a negative $724,765,389, represents unrestricted net position, which is normally available to meet the County's ongoing unrestricted obligations to citizens and creditors. For this fiscal year, the negative unrestricted net position is due to the implementation of GASB 75. The remaining balance of net position represents resources that are subject to external restrictions on how they may be used. A large portion of the restricted net position, $833,463,830, is for use for the ongoing obligations of the Toll Road Authority. Restricted net position of $267,881,443 is related to the mobility program and is restricted because of legal constraints imposed by the Texas Transportation Code; these funds can only be used for mobility purposes. Other restrictions include $573,262,173 for debt service payments, $71,862,420 for capital projects, $45,145,234 for operating reserve per bond covenants, $4,140,402 for grant programs, and $1,615,449 for legislative restricted net position.

At the end of the current fiscal year, the County reported positive net position in two categories of net position for its governmental activities and three categories in its business-type activities.

The following table indicates changes in net position for governmental and business-type activities:

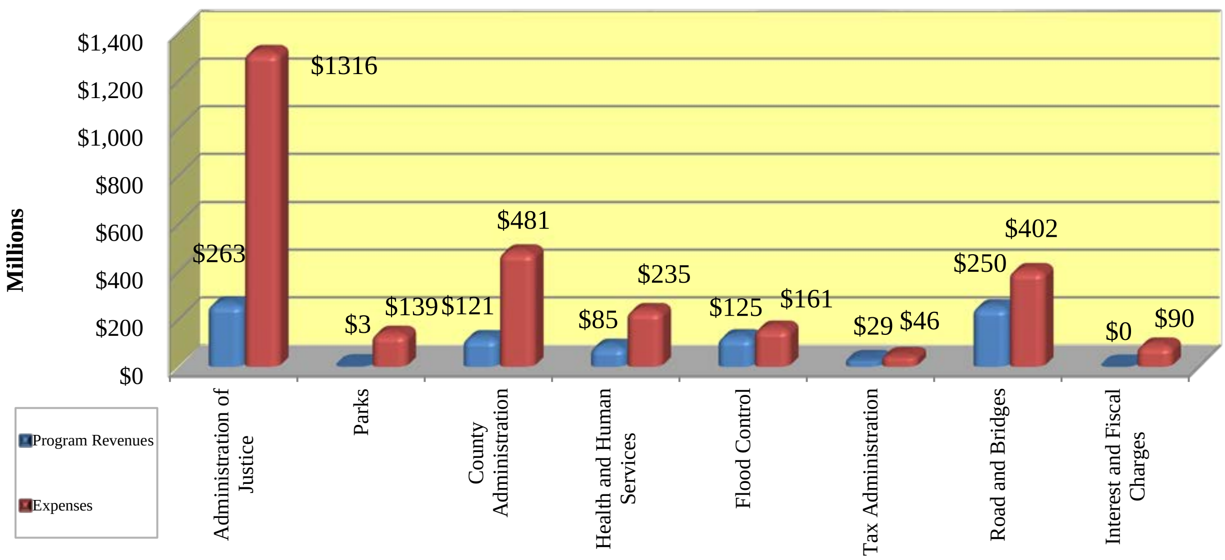
Condensed Statement of Activities
(In Thousands)
For the Year Ended February 28, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for Services	$ 312,176	$ 840,826	$ 1,153,002
Operating Grants and Contributions	221,395	1,403	222,798
Capital Grants and Contributions	343,532	-	343,532
General revenues:			
Taxes-levied for General Purposes	1,709,837	-	1,709,837
Taxes-levied for Debt Services	311,256	-	311,256
Hotel Occupancy Tax	43,969	-	43,969
Investment Earnings	43,518	36,560	80,078
Miscellaneous	100,570	2,192	102,762
Total revenues	3,086,253	880,981	3,967,234
EXPENSES			
Administration of Justice	1,316,001	-	1,316,001
Parks	139,468	-	139,468
County Administration	480,751	-	480,751
Health and Human Services	234,787	-	234,787
Flood Control	154,163	-	154,163
Tax Administration	46,213	-	46,213
Roads and Bridges	402,487	-	402,487
Interest and Fiscal Charges	90,280	-	90,280
Toll Road	-	422,434	422,434
Parking Facilities	-	2,783	2,783
Sheriff's Commissary	-	5,889	5,889
Total expenses	2,864,150	431,106	3,295,256
Excess before other items and transfers	222,103	449,875	671,978
Transfers	135,474	(135,474)	-
Change in net position	357,577	314,401	671,978
Net position - beginning as restated	9,462,622	1,560,500	11,023,122
Net position - ending	$ 9,820,199	$ 1,874,901	$ 11,695,100

Condensed Statement of Activities
(In Thousands)
For the Year Ended February 28, 2018
Primary Government (Restated)

	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for Services	$ 297,736	$ 752,027	$ 1,049,763
Operating Grants and Contributions	234,858	-	234,858
Capital Grants and Contributions	300,963	-	300,963
General revenues:			
Taxes-levied for General Purposes	1,562,808	-	1,562,808
Taxes-levied for Debt Services	316,551	-	316,551
Hotel Occupancy Tax	43,411	-	43,411
Investment Earnings	8,500	13,708	22,208
Miscellaneous	110,392	1,051	111,443
Total revenues	2,875,219	766,786	3,642,005
EXPENSES			
Administration of Justice	1,804,032	-	1,804,032
Parks	191,790	-	191,790
County Administration	731,297	-	731,297
Health and Human Services	311,012	-	311,012
Flood Control	166,456	-	166,456
Tax Administration	64,657	-	64,657
Roads and Bridges	449,405	-	449,405
Interest and Fiscal Charges	99,626	-	99,626
Toll Road	-	432,715	432,715
Parking Facilities	-	2,838	2,838
Sheriff's Commissary	-	6,111	6,111
Total expenses	3,818,275	441,664	4,259,939
Excess before other items and transfers	(943,056)	325,122	(617,934)
Transfers	127,615	(127,615)	-
Change in net position	(815,441)	197,507	(617,934)
Net position - beginning	10,278,063	1,362,993	11,641,056
Net position - ending	$ 9,462,622	$ 1,560,500	$ 11,023,122

Program Revenues and Expenses - Governmental Activities

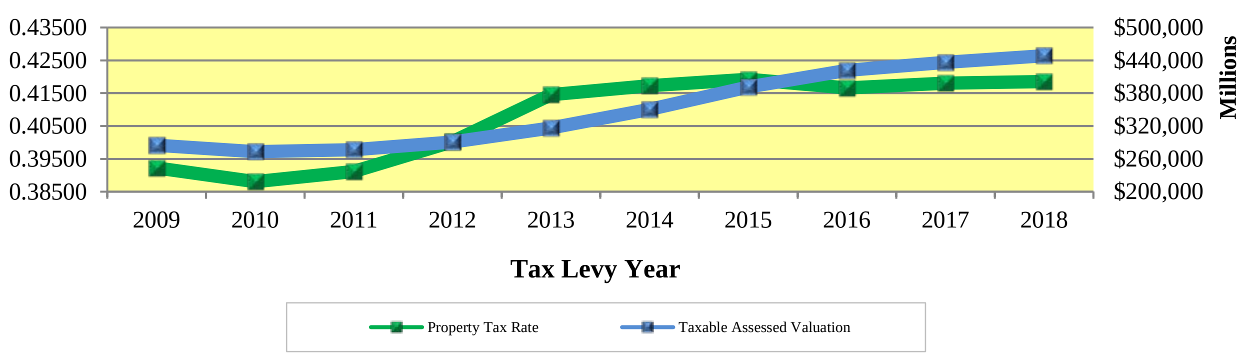


Revenues

For fiscal year ended February 28, 2019, revenues for the primary government totaled $3,967,233,881. The revenues are categorized by activity type: governmental activities totaled $3,086,253,126 and business-type activities totaled $880,980,755.

Property and Hotel Occupancy Taxes of $2,065,061,197 were one of the largest revenue sources for governmental activities and 52% of total revenues, which is a $142M increase from prior year taxes of $1,922,770,727. The tax rate was $.4185 per $100 of assessed value for fiscal year 2019. The taxable assessed value increased in fiscal year 2019 to $448,414,364,000 from the taxable assessed value in the prior fiscal year of $436,392,684,000.

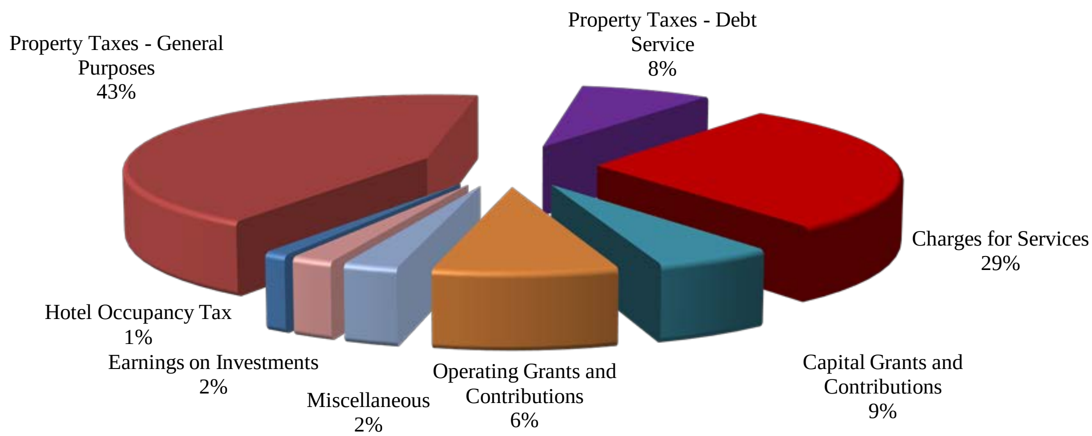
Historical Comparison of the Property Tax Rate versus Taxable Assessed Valuation



Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were $1,719,332,520 or 44% of total revenues, which increased $133,748,543 compared to the prior year. The largest portion of program revenues is Charges for Services of $1,153,002,017 (29%). Of that $312,176,543 is from governmental activities, which includes fees collected by the tax collector, automobile registration, and charges for patrol services. The business-type Charges for Services were $840,825,474, an increase of $88,798,264, which are primarily toll road receipts. The other portions of program revenues are Operating Grants and Contributions of $222,798,000 (6%) and Capital Grants and Contributions of $343,532,503 (9%). Capital Grants and Contributions increased $42,569,628 from the prior year, primarily due an increase in Hurricane Harvey grants and other projects related to flood mitigation.

General revenues are revenues that cannot be assigned to a specific function. They consist of taxes (previously discussed), Earnings on Investments of $80,077,994 (2% of total revenues), and Miscellaneous income of $102,762,170 (2% of total revenues).

REVENUES BY SOURCE
Year ended February 28, 2019



Expenses

For fiscal year ended February 28, 2019, expenses for the primary government totaled $3,295,256,090. These expenses are divided by activity type: governmental activities of $2,864,150,276 and business-type activities of $431,105,814.

The County's largest governmental activities function is Administration of Justice. The main components of this function are the civil and criminal courts and the Sheriff's Office. Total expenses for this activity were $1,316,001,030 and were 40% of total expenses. The expenses can be attributed to salaries, fringe benefits, costs of housing and trial of inmates, fuel costs for patrol vehicles, and other related items.

The expenses for the Roads and Bridges governmental activities function were $402,486,666 or 12% of total expenses. The County owns and maintains over six thousand miles of roads and bridges.

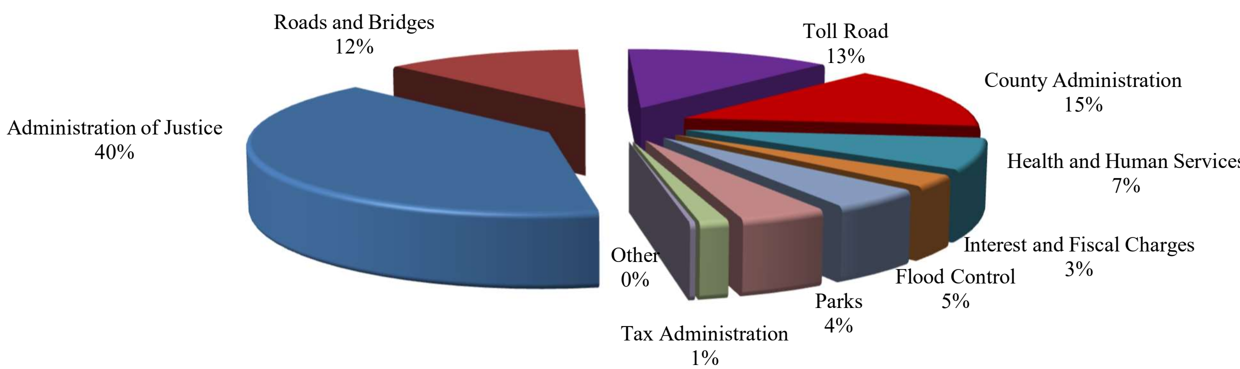
The County Administration governmental activities function expenses were $480,750,932 or 15% of total expenses. These expenses are attributable to costs and maintenance of the administrative offices of the County.

The Toll Road business-type activities function expenses were $422,433,762 or 13% of total expenses. This expense increased $20,111,052 from the prior year. Expenses for other business-type activities were $8,672,052 and were less than 1% of total expenses. These activities are for Parking Facilities and Sheriff's Commissary.

The Interest and Fiscal Charges governmental activities functional expenses of $90,280,647 constituted 3% of total expenses and decreased $9,345,534.

The remaining governmental activities functions are Health and Human Services with expenses of $234,786,626 or 7%, which includes operation of the County libraries, Flood Control with expenses of $154,162,579 or 5%, Parks with expenses of $139,468,400 or 4%, and Tax Administration with expenses of $46,213,396 or 1%.

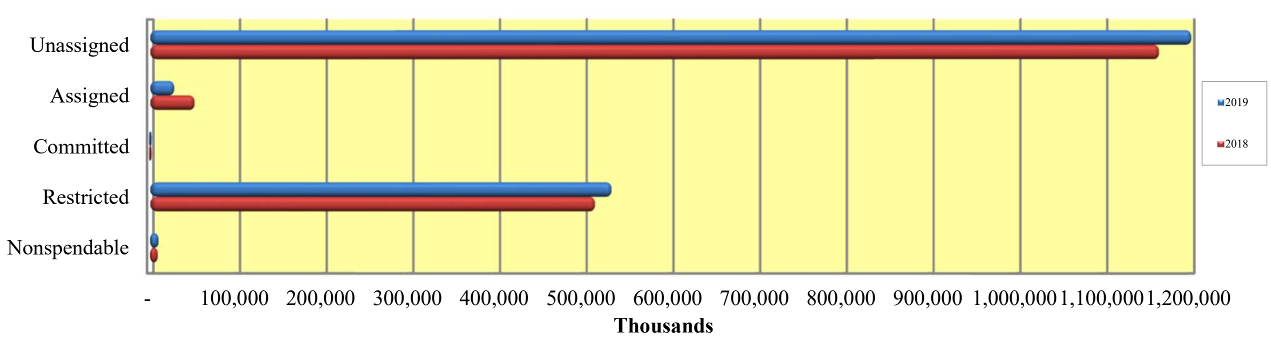
EXPENSES BY FUNCTION
Year ended February 28, 2019



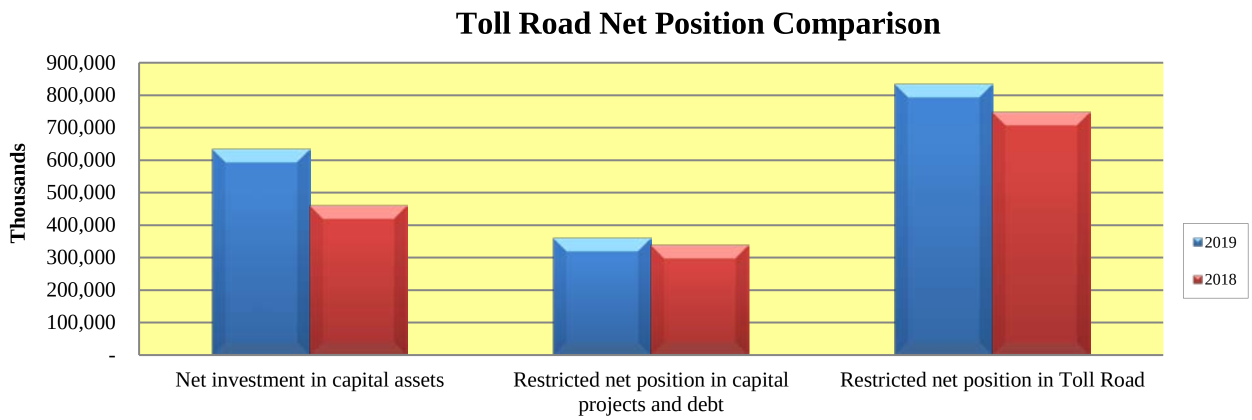
FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund is the County's chief operating fund and major governmental fund. For the year ended February 28, 2019, the General Fund reported a net fund balance increase of $134,314,459 largely due to an increase in the fund balance of the general operating fund, public contingency fund, mobility sub-fund, and general debt sub-fund. The fund balance increase in the general operating fund is consistent with the County's financial policy and planning objective to continue to build a strong balance sheet to maintain financial stability and current high bond ratings. The General Fund total fund balance is $1,869,506,828 for the fiscal year of which $9,325,408 is nonspendable, $532,074,026 is restricted, $40,139,177 is assigned, and the remaining $1,287,968,217 is unassigned and available for the County's current and future needs.

General Fund Components of Fund Balance



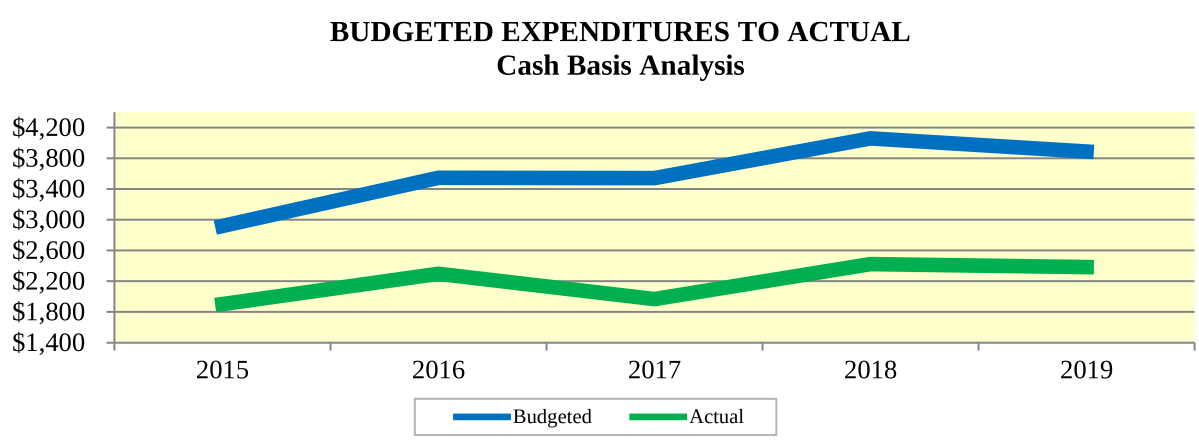
The Toll Road Fund was the County's only major proprietary fund at February 28, 2019. This fund is used to account for the acquisition, operation, and maintenance of County toll roads. As of February 28, 2019, net position net investment in capital assets was $633,727,101, and restricted net position was $1,193,488,569.



GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget reflected an increase of $54,758,755 in available resources. This increase is primarily due to adjustments for transfers in, miscellaneous income, and the issuance of refunding bonds. Differences between the original budget and the final amended budget resulted in $48,099,645 increase in appropriations; this increase is due to additional revenue certifications being allocated for use.

During the year, actual available resources exceeded budgetary estimates by $413,081,953. This is primarily due to an increase in tax revenues. Actual expenditures were $1,502,652,878 less than budgetary estimates. This difference is primarily due to a decrease in expenditures as a result of the carry forward of budget for capital projects for roads and bridges, maintenance funds, and mobility funds. Budget variances are not expected to impact future services or liquidity.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's capital assets, net of accumulated depreciation/amortization, for its governmental and business-type activities as of February 28, 2019, was $14,975,318,040 an increase of $563,894,011 from capital assets reported as of February 28, 2018 of $14,411,424,029. These capital assets include land, construction in progress, land improvements, buildings, park improvements and facilities, infrastructure, equipment, other tangible assets, as well as intangible assets such as easements and the County's license agreement to operate toll facilities on the Katy Freeway.

Major capital asset events during the current fiscal year included the following:

- The County has several ongoing capital improvement projects, including completion of the Central Processing Center, the Sheriff's 9-1-1 Call Center, and renovations to other buildings as well as improvements to County roads.

- The Flood Control District participated in ongoing flood damage reduction and mitigation projects to reduce flood risk within the County.

- The Harris County Toll Road Authority has several ongoing construction projects, including the Hardy Toll Road Downtown Connector, widening portions of the Sam Houston Tollway, the extension of the Tomball Tollway, and the Ship Channel Bridge Replacement Project.

	Capital Assets	
	Balance February 28, 2019	**Balance February 28, 2018**
Governmental Activities:		
Land	$ 4,405,356,628	$ 4,291,200,602
Construction in progress	601,931,690	463,452,274
Intangible assets - water rights	2,400,000	2,400,000
Intangible assets - software & licenses	60,804,961	53,800,330
Land improvements	16,542,142	15,131,452
Infrastructure	11,878,356,553	11,628,471,581
Park facilities	219,418,815	208,528,383
Flood control projects	1,014,819,744	962,719,711
Buildings	1,933,558,226	1,923,519,768
Equipment	464,392,047	443,952,082
	20,597,580,806	19,993,176,183
Less: Accumulated depreciation	(8,442,265,666)	(8,082,485,930)
Total governmental activities	$ 12,155,315,140	$ 11,910,690,253

	Balance February 28, 2019	**Balance February 28, 2018**
Business-type Activities:		
Land	$ 383,750,355	$ 374,720,549
Construction in progress	1,088,780,745	689,748,509
Intangible assets - license agreement	237,500,000	237,500,000
Land improvements	21,266,409	21,266,409
Infrastructure	2,577,160,549	2,577,706,723
Other tangible assets	19,489,170	19,526,475
Buildings	39,403,137	39,403,137
Equipment	98,922,206	100,125,892
	4,466,272,571	4,059,997,694
Less: Accumulated depreciation	(1,646,269,671)	(1,559,263,918)
Total business-type activities	$ 2,820,002,900	$ 2,500,733,776

For further information regarding capital assets, see Note 6 to the financial statements.

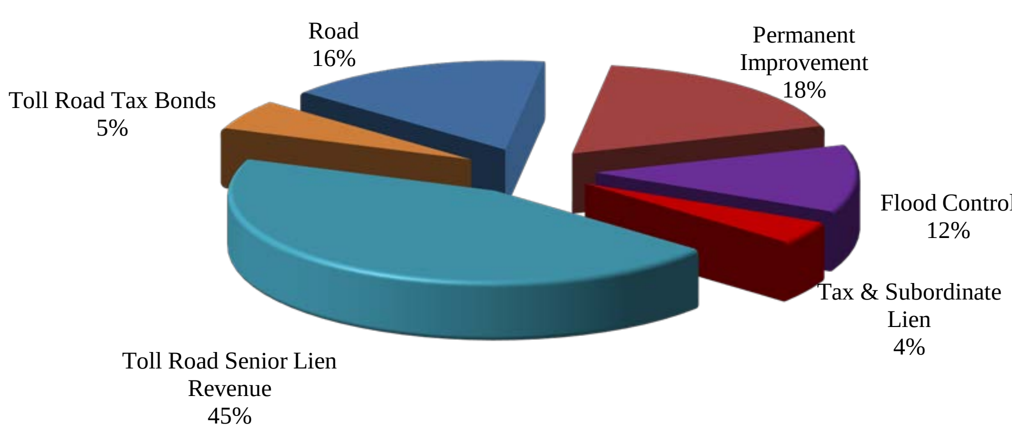
Long-term Liabilities. At February 28, 2019, the County had total long-term liabilities outstanding of $7,938,840,492. County officials, citizens and investors will find the ratio of bonded debt to taxable value of property and the amount of bonded debt per capita as useful indicators of the County's debt position. General bonded debt represented 0.53% and 0.59% of taxable value of property for fiscal year 2019 and 2018 respectively. Debt per capita was $1,072 and $1,117 for fiscal year 2019 and 2018, respectively.

	Long-term Liabilities	
	Outstanding at February 28, 2019	Outstanding at February 28, 2018 (Restated)
Governmental Activities:		
Bonds payable	$ 2,381,687,513	$ 2,575,785,851
Commercial paper payable	156,707,000	91,127,000
Compensatory time payable	43,741,791	39,386,264
Judgments payable	20,150,000	12,150,000
Loan payable	35,728,197	25,669,842
OPEB obligation	1,831,845,906	1,742,621,824
Net Pension Liability	882,368,886	389,277,459
Pollution remediation obligation	2,176,196	3,509,399
Total governmental activities	$ 5,354,405,489	$ 4,879,527,639
Business-type Activities:		
Bonds payable	$ 2,369,119,055	$ 2,488,846,262
Commercial paper payable	97,390,000	17,040,000
Compensatory time payable	1,176,638	1,086,014
OPEB obligation	74,763,032	69,473,271
Net Pension Liability	34,851,024	15,698,382
Pollution remediation obligation	7,135,254	7,384,175
Total business-type activities	$ 2,584,435,003	$ 2,599,528,104

The County has a continuing goal to sustain the County's debt rating. As of February 28, 2019, the bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. assigned the County long term bond ratings of Aaa, AAA, and AAA, respectively.

Please refer to Note 9 to the financial statements for further information on the County's long-term liabilities. See Note 10 and Note 11 to the financial statements for further information on the County's Net Pension Liability and OPEB obligation.

Bonds Payable by Type as of February 28, 2019



ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2018 was approximately 4.4%. This is a decrease from the prior year rate of 5.0%. The state unemployment rate for calendar year 2018 was 3.7%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County'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, TEXAS
STATEMENT OF NET POSITION
February 28, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,031,863,275	$ 339,393,012	$ 1,371,256,287	$ 590,822,619
Investments	1,459,302,879	1,042,199,271	2,501,502,150	544,340,863
Taxes receivable, net	104,488,457	-	104,488,457	31,325,000
Accounts receivable, net	65,583,587	1,458,619	67,042,206	98,768,112
Accrued interest receivable	1,527,095	3,433,864	4,960,959	-
Lease receivable	201,300	-	201,300	-
Other receivables, net	123,835,626	29,139,039	152,974,665	39,702,321
Internal balances	989,989	(989,989)	-	-
Inventories, prepaids and other assets	19,168,891	9,038,369	28,207,260	159,889,608
Restricted:				
Cash and cash equivalents	251,809,667	171,130,101	422,939,768	150,761,127
Investments	46,361	150,381,772	150,428,133	-
Notes receivable	6,215,275	45,488	6,260,763	-
Net pension assets	92,354	-	92,354	-
Capital assets:				
Land and construction in progress	5,007,288,318	1,472,531,100	6,479,819,418	118,698,342
Intangible assets, net of amortization (when applicable)	17,745,466	182,495,000	200,240,466	-
Other capital assets, net of depreciation	7,130,281,356	1,164,976,800	8,295,258,156	421,790,463
Total assets	15,220,439,896	4,565,232,446	19,785,672,342	2,156,098,455
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	37,745,173	67,026,386	104,771,559	9,588,000
Pension contributions after measurement date	23,461,483	892,445	24,353,928	-
Difference in projected and actual earnings on pension assets	329,696,497	13,023,351	342,719,848	-
Changes in pension assumptions	22,518,869	889,423	23,408,292	-
Resources related to pension	-	-	-	60,122,000
Unamortized costs on swap liability	-	35,740,173	35,740,173	7,918,000
Total deferred outflows of resources	413,422,022	117,571,778	530,993,800	77,628,000
LIABILITIES				
Vouchers payable and other current liabilities	314,806,910	111,873,366	426,680,276	202,977,762
Due to other governmental units	36,190	-	36,190	-
Other liabilities	-	-	-	193,282,000
Unearned revenue	78,254,716	76,015,979	154,270,695	14,632,271
Accrued interest	40,505,902	-	40,505,902	528,000
Long-term liabilities:				
Due within one year	196,955,992	105,267,359	302,223,351	9,946,394
Due in more than one year	5,157,449,497	2,479,167,644	7,636,617,141	1,040,858,607
Total liabilities	5,788,009,207	2,772,324,348	8,560,333,555	1,462,225,034
DEFERRED INFLOWS OF RESOURCES				
Difference in projected and actual earnings on pension experience	25,653,236	1,014,216	26,667,452	-
Accumulated decrease in fair value of hedging derivatives	-	34,564,757	34,564,757	-
Total deferred inflows of resources	25,653,236	35,578,973	61,232,209	-
NET POSITION				
Net investment in capital assets	9,970,087,526	652,407,290	10,622,494,816	211,584,948
Restricted for:				
Debt service	267,772,038	305,490,135	573,262,173	32,532,000
Capital projects	62,473,050	9,389,370	71,862,420	-
Operating reserve per bond covenants	-	45,145,234	45,145,234	-
Donor temporarily restricted	4,140,402	-	4,140,402	38,899,357
Legislative	1,615,449	-	1,615,449	-
Mobility program	267,881,443	-	267,881,443	-
Toll Road	-	833,463,830	833,463,830	-
Unrestricted	(753,770,433)	29,005,044	(724,765,389)	488,485,116
Total net position	$ 9,820,199,475	$ 1,874,900,903	$ 11,695,100,378	$ 771,501,421

See notes to the financial statements.

STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:								
Governmental activities:								
Administration of Justice	$ 1,316,001,030	$ 157,846,311	$ 104,960,477	$ -	$ (1,053,194,242)	$ -	$ (1,053,194,242)	
Parks	139,468,400	1,611,084	1,104,192	-	(136,753,124)	-	(136,753,124)	
County Administration	480,750,932	58,927,441	42,213,510	20,005,123	(359,604,858)	-	(359,604,858)	
Health and Human Services	234,786,626	12,218,290	73,116,383	-	(149,451,953)	-	(149,451,953)	
Flood Control	154,162,579	628,357	-	124,571,717	(28,962,505)	-	(28,962,505)	
Tax Administration	46,213,396	29,480,846	-	-	(16,732,550)	-	(16,732,550)	
Road and Bridges	402,486,666	51,464,214	-	198,955,663	(152,066,789)	-	(152,066,789)	
Interest and Fiscal Charges	90,280,647	-	-	-	(90,280,647)	-	(90,280,647)	
Total governmental activities	2,864,150,276	312,176,543	221,394,562	343,532,503	(1,987,046,668)	-	(1,987,046,668)	
Business-type activities:								
Toll Road	422,433,762	828,453,739	1,403,438	-	-	407,423,415	407,423,415	
Parking Facilities	2,783,445	5,825,235	-	-	-	3,041,790	3,041,790	
Sheriff's Commissary	5,888,607	6,546,500	-	-	-	657,893	657,893	
Total business-type activities	431,105,814	840,825,474	1,403,438	-	-	411,123,098	411,123,098	
Total primary government	$ 3,295,256,090	$ 1,153,002,017	$ 222,798,000	$ 343,532,503	(1,987,046,668)	411,123,098	(1,575,923,570)	
Component units:								
Harris Center for Mental Health & IDD (formerly MHMRA)	$ 238,300,883	$ 59,932,192	$ 175,478,385	$ -				$ (2,890,306)
Hospital District	3,088,521,000	477,758,000	1,902,565,000	-				(708,198,000)
Other component units	7,876,692	4,775,727	8,228,590	-				5,127,625
Total component units	$ 3,334,698,575	$ 542,465,919	$ 2,086,271,975	$ -				(705,960,681)
General revenues:								
Taxes:								
Property taxes levied for General Purposes					1,709,836,917	-	1,709,836,917	739,022,000
Property taxes levied for Debt Service					311,255,659	-	311,255,659	-
Hotel Occupancy Tax					43,968,621	-	43,968,621	-
Earnings on Investments					43,518,347	36,559,647	80,077,994	32,946,015
Miscellaneous					100,569,974	2,192,196	102,762,170	38,438,724
Transfers					135,474,225	(135,474,225)	-	-
Total general revenues and other items					2,344,623,743	(96,722,382)	2,247,901,361	810,406,739
Change in net position					357,577,075	314,400,716	671,977,791	104,446,058
Net position - beginning (Restated, Note 1)					9,462,622,400	1,560,500,187	11,023,122,587	667,055,363
Net position - ending					$ 9,820,199,475	$ 1,874,900,903	$ 11,695,100,378	$ 771,501,421

See notes to the financial statements.

HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments:			
Cash and cash equivalents	$ 621,713,085	$ 344,281,194	$ 965,994,279
Investments	1,048,862,834	310,610,433	1,359,473,267
Receivables:			
Taxes, net	93,513,545	10,974,912	104,488,457
Accounts, net	9,301,066	53,290,057	62,591,123
Accrued interest	1,191,540	238,068	1,429,608
Lease	201,300	-	201,300
Other, net	64,214,081	51,830,032	116,044,113
Due from other funds	13,163,247	53,378,583	66,541,830
Prepaids and other assets	6,894,011	6,031,517	12,925,528
Inventories	2,291,397	768,384	3,059,781
Advances to other funds	140,000	230,000	370,000
Restricted cash and cash equivalents	240,890,464	10,919,203	251,809,667
Restricted investments	46,361	-	46,361
Notes receivable	663,545	5,551,730	6,215,275
Total assets	$ 2,103,086,476	$ 848,104,113	$ 2,951,190,589
LIABILITIES			
Vouchers payable	$ 61,510,594	$ 67,621,238	$ 129,131,832
Accrued payroll	99,510,264	7,585,882	107,096,146
Retainage payable	4,873,197	15,760,910	20,634,107
Due to other funds	1,026,493	65,589,569	66,616,062
Due to other governmental units	-	36,190	36,190
Other liabilities	283,661	-	283,661
Advances from other funds	-	370,000	370,000
Unearned revenue	8,638,113	66,045,787	74,683,900
Total liabilities	175,842,322	223,009,576	398,851,898
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	47,130,241	5,708,633	52,838,874
Unavailable revenue-other	10,607,085	18,189,523	28,796,608
Total deferred inflows of resources	57,737,326	23,898,156	81,635,482
FUND BALANCES			
Nonspendable	9,325,408	3,359,057	12,684,465
Restricted	532,074,026	555,069,987	1,087,144,013
Committed	-	46,797,268	46,797,268
Assigned	40,139,177	-	40,139,177
Unassigned	1,287,968,217	(4,029,931)	1,283,938,286
Total fund balances	1,869,506,828	601,196,381	2,470,703,209
Total liabilities, deferred inflows of resources, and fund balances	$ 2,103,086,476	$ 848,104,113	$ 2,951,190,589

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
February 28, 2019

Total fund balances for governmental funds		$ 2,470,703,209
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 (excluding internal service fund capital assets) consist of:		
Land	$ 4,405,097,628	
Construction in progress	601,931,690	
Intangible assets - water rights	2,400,000	
Intangible assets - software and licenses, net of $45,459,495 accumulated amortization	15,345,466	
Land improvements, net of $4,285,776 accumulated depreciation	12,256,366	
Infrastructure, net of $6,767,391,664 accumulated depreciation	5,110,964,889	
Parks, net of $79,345,148 accumulated depreciation	140,073,667	
Flood control projects, net of $477,826,297 accumulated depreciation	536,993,447	
Buildings, net of $745,694,328 accumulated depreciation	1,187,437,452	
Equipment and vehicles, net of $322,262,958 accumulated depreciation	115,642,334	
Total capital assets		12,128,142,939
Net pension asset resulting from pension activity is not recognized in the funds		92,354
Long-term liabilities applicable to Harris County'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 inflows are reported in the statement of net position. Balances (excluding internal service fund liabilities, where applicable) as of February 28, 2019 were:		
Deferred charge on refundings	37,745,173	
Deferred outflow - Pension contributions after measurement date	23,461,483	
Deferred outflow - Difference in actual and projected earnings on pension assets	329,696,497	
Deferred outflow - Changes in pension assumptions	22,518,869	
Accrued interest on bonds and loans	(40,505,902)	
Bonds payable	(2,381,687,513)	
Judgments payable	(20,150,000)	
Loan payable	(35,728,197)	
Interest on capital leases	557,887	
Commercial paper payable	(156,707,000)	
Unearned Revenue	(3,957,341)	
Compensated absences	(43,288,392)	
OPEB obligation	(1,831,845,906)	
Net pension liability	(882,368,886)	
Pollution remediation obligation	(2,143,562)	
Deferred inflow - Difference in expected and actual pension experience	(25,653,236)	
		(5,010,056,026)
Internal service funds are used by the County. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. Internal service fund net position is:		149,681,274
Other		244
Some of the County's assets are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		81,635,481
Total net position of governmental activities		$ 9,820,199,475

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 28, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 1,779,796,671	$ 242,023,801	$ 2,021,820,472
Charges for services	252,993,907	33,532,434	286,526,341
User fees	442,641	-	442,641
Fines and forfeitures	16,030,563	-	16,030,563
Lease revenue	928,681	349,086	1,277,767
Intergovernmental	50,768,626	298,954,073	349,722,699
Earnings on investments	29,428,985	11,956,023	41,385,008
Miscellaneous	63,629,629	45,871,056	109,500,685
Total revenues	2,194,019,703	632,686,473	2,826,706,176
EXPENDITURES			
Current operating:			
Administration of Justice	1,079,991,001	82,148,599	1,162,139,600
Parks	91,488,515	13,196,712	104,685,227
County Administration	336,945,513	85,927,108	422,872,621
Health and Human Services	116,176,427	98,767,922	214,944,349
Flood Control	-	117,797,951	117,797,951
Tax Administration	40,913,065	1,215,612	42,128,677
Roads and Bridges	108,057,849	19,965,192	128,023,041
Capital outlay	132,463,308	289,015,722	421,479,030
Debt service:			
Principal retirement	80,600,362	79,055,000	159,655,362
Payments to defease commerical paper	68,200,000	-	68,200,000
Payment on loans	-	1,888,324	1,888,324
Bond issuance costs	3,952	516,299	520,251
Interest and fiscal charges	56,740,172	61,972,720	118,712,892
Total expenditures	2,111,580,164	851,467,161	2,963,047,325
Excess (deficiency) of revenues under expenditures	82,439,539	(218,780,688)	(136,341,149)
OTHER FINANCING SOURCES (USES)			
Transfers in	185,547,580	152,291,068	337,838,648
Transfers out	(154,069,725)	(135,713,112)	(289,782,837)
Commercial paper issued	-	133,780,000	133,780,000
Proceeds from software license	20,397,065	-	20,397,065
Proceeds from sale of capital assets	-	7,442	7,442
Total other financing sources (uses)	51,874,920	150,365,398	202,240,318
Net changes in fund balances	134,314,459	(68,415,290)	65,899,169
Fund balances, beginning	1,735,192,369	669,611,671	2,404,804,040
Fund balances, ending	$ 1,869,506,828	$ 601,196,381	$ 2,470,703,209

See notes to the financial statements.

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, 2019

Net change in fund balances - total governmental funds		$ 65,899,169
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 depreciation of $421,479,030 exceeded capital expenditures of $383,857,518 in the current period.		37,621,512
Capital asset donations		211,579,897
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Debt issued:		
Commercial paper	$ (133,780,000)	
Loans		
Repayments:		
To paying agent for bond principal	157,916,339	
To refunding bond escrow agent	1,888,324	
Defeasance of commercial paper	68,200,000	
Loans	3,578,050	
Net adjustment		97,802,713
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.		
Compensated absences	(4,286,987)	
Judgments payable	(8,000,000)	
OPEB obligation	(89,224,082)	
Net pension liability	(100,065,822)	
Pollution remediation obligation	1,386,850	
Proceeds from software license	(15,524,729)	
Amortization of debt premium	31,757,004	
Accretion of capital appreciation bond interest	4,424,995	
Amortization of advanced refunding difference	(7,789,626)	
Accrued interest on debt	39,870	
Combined adjustment		(187,282,527)
Internal service funds are used by the County. The net revenue of the internal service funds are reported with governmental activities.		92,386,762
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		44,286,785
The net effect of disposal of capital assets is to decrease net position.		(4,599,510)
Other		(117,726)
Change in net position of governmental activities		$ 357,577,075

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
February 28, 2019

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 325,086,781	$ 14,306,231	$ 339,393,012	$ 65,868,996
Investments	1,028,054,453	14,144,818	1,042,199,271	99,829,612
Receivables, net	46,720	1,411,899	1,458,619	2,992,465
Accrued interest receivable	3,418,518	15,346	3,433,864	97,487
Other receivable, net	28,790,871	348,168	29,139,039	7,791,512
Due from other funds	985	-	985	1,074,726
Due from other units	-	-	-	813
Prepaids and other assets	3,829,395	-	3,829,395	1,562,552
Inventories	5,208,974	-	5,208,974	1,620,218
Total current assets	1,394,436,697	30,226,462	1,424,663,159	180,838,381
Noncurrent assets:				
Restricted cash and cash equivalents	171,130,101	-	171,130,101	-
Restricted investments	150,381,772	-	150,381,772	-
Notes receivable	45,488	-	45,488	-
Capital assets:				
Land and construction in progress	1,468,567,502	3,963,598	1,472,531,100	259,000
License agreement, net of amortization	182,495,000	-	182,495,000	-
Other capital assets, net of depreciation	1,150,260,209	14,716,591	1,164,976,800	26,913,211
Total noncurrent assets	3,122,880,072	18,680,189	3,141,560,261	27,172,211
Total assets	4,517,316,769	48,906,651	4,566,223,420	208,010,592
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	67,026,386	-	67,026,386	-
Pension contributions after measurement date	892,445	-	892,445	-
Difference in projected and actual earnings on pension assets	13,023,351	-	13,023,351	-
Changes of pension assumptions	889,423	-	889,423	-
Unamortized costs on swap liability	35,740,173	-	35,740,173	-
Total deferred outflows of resources	117,571,778	-	117,571,778	-
LIABILITIES				
Current liabilities:				
Vouchers payable	77,955,829	1,112,735	79,068,564	9,321,127
Accrued payroll and compensated absences	4,292,102	78,460	4,370,562	1,728,617
Retainage payable	28,289,974	-	28,289,974	-
Estimated outstanding claims	-	-	-	12,199,091
Incurred but not reported claims	-	-	-	34,708,180
Customer deposits	160,692	-	160,692	-
Due to other funds	987,916	3,058	990,974	10,505
Unearned revenue	76,000,707	15,272	76,015,979	171,369
Current portion of long-term liabilities	105,250,933	-	105,250,933	-
Total current liabilities	292,938,153	1,209,525	294,147,678	58,138,889
Noncurrent liabilities:				
Bonds payable	2,264,534,147	-	2,264,534,147	-
Pollution remediation payable	7,135,254	-	7,135,254	-
Commercial Paper Payable	97,390,000	-	97,390,000	-
Compensatory time payable	482,294	11,893	494,187	190,429
OPEB obligation	74,763,032	-	74,763,032	-
Net pension liability	34,851,024	-	34,851,024	-
Total noncurrent liabilities	2,479,155,751	11,893	2,479,167,644	190,429
Total liabilities	2,772,093,904	1,221,418	2,773,315,322	58,329,318
DEFERRED INFLOWS OF RESOURCES				
Difference in projected and actual earnings on pension experience	1,014,216	-	1,014,216	-
Accumulated decrease in fair value of hedging derivatives	34,564,757	-	34,564,757	-
Total deferred inflows of resources	35,578,973	-	35,578,973	-
NET POSITION				
Net investment in capital assets	633,727,101	18,680,189	652,407,290	27,172,211
Restricted for:				
Debt service	305,490,135	-	305,490,135	-
Capital projects	9,389,370	-	9,389,370	-
Operating reserve per bond covenants	45,145,234	-	45,145,234	-
Toll Road	833,463,830	-	833,463,830	-
Unrestricted	-	29,005,044	29,005,044	122,509,063
Total net position	$ 1,827,215,670	$ 47,685,233	$ 1,874,900,903	$ 149,681,274

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended February 28, 2019

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Toll revenues	$ 828,453,739	$ -	$ 828,453,739	$ -
Intergovernmental	1,403,438	-	1,403,438	1,950,000
Charges to departments	-	-	-	336,619,913
Sales	-	6,358,647	6,358,647	-
User fees	-	5,825,235	5,825,235	20,786,247
Miscellaneous	-	187,853	187,853	-
Total operating revenues	829,857,177	12,371,735	842,228,912	359,356,160
OPERATING EXPENSES				
Salaries	70,363,249	928,767	71,292,016	18,532,365
Materials and supplies	17,767,336	1,696,764	19,464,100	2,164,878
Services and fees	143,268,214	4,760,084	148,028,298	18,436,301
Utilities	3,184,914	271,384	3,456,298	586,847
Transportation and travel	5,361,808	-	5,361,808	9,424,117
Incurred claims	-	-	-	291,293,935
Estimated claims & changes in estimates	-	-	-	(38,666)
Cost of goods sold	-	-	-	8,282,555
Depreciation and amortization	94,687,285	1,015,053	95,702,338	8,877,985
Total operating expenses	334,632,806	8,672,052	343,304,858	357,560,317
Operating income	495,224,371	3,699,683	498,924,054	1,795,843
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	35,980,673	578,974	36,559,647	2,691,092
Lease income	19,260	-	19,260	-
Interest expense	(81,292,582)	-	(81,292,582)	-
Bond issuance cost	(68,216)	-	(68,216)	-
Loss on disposal of capital assets	(2,093,212)	(24,998)	(2,118,210)	(272,859)
Amortization expense	(4,346,946)	-	(4,346,946)	-
Other nonoperating revenue	2,197,934	-	2,197,934	754,272
Total nonoperating revenues (expenses)	(49,603,089)	553,976	(49,049,113)	3,172,505
Income (loss) before transfers and contributions	445,621,282	4,253,659	449,874,941	4,968,348
Transfers in	-	-	-	88,687,145
Transfers out	(135,000,000)	(474,225)	(135,474,225)	(1,268,731)
Total transfers and contributions	(135,000,000)	(474,225)	(135,474,225)	87,418,414
Change in net position	310,621,282	3,779,434	314,400,716	92,386,762
Net position, beginning	1,516,594,388	43,905,799	1,560,500,187	57,294,512
Net position, ending	$ 1,827,215,670	$ 47,685,233	$ 1,874,900,903	$ 149,681,274

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended February 28, 2019

	Enterprise Funds			
	Toll Road Authority	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 836,398,468	$ 13,560,336	$ 849,958,804	$ 358,340,031
Payment to employees	(60,987,201)	(909,839)	(61,897,040)	(18,287,340)
Payment to vendors	(143,567,271)	(6,485,226)	(150,052,497)	(59,210,635)
Claims paid	-	-	-	(292,473,012)
Receipts from miscellaneous reimbursements	2,197,934	-	2,197,934	-
Other receipts	-	-	-	754,272
Net cash provided by (used for) operating activities	634,041,930	6,165,271	640,207,201	(10,876,684)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Reciepts from other governments	3,324,275	-	3,324,275	-
Internal activity - net payments from other funds	3,202,877	-	3,202,877	-
Transfers from other funds	-	-	-	89,217,145
Transfers to other funds	(135,000,000)	(474,225)	(135,474,225)	(1,798,731)
Net cash provided by (used for) noncapital financing activities	(128,472,848)	(474,225)	(128,947,073)	87,418,414
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipts from lease of capital assets	19,260	-	19,260	-
Purchases of capital assets	(409,939,837)	(1,667,280)	(411,607,117)	(9,223,735)
Proceeds on disposal of capital asset	(12,795)	-	(12,795)	-
Principal paid on capital debt	(99,180,000)	-	(99,180,000)	-
Interest paid on capital debt	(108,237,186)	-	(108,237,186)	-
Proceeds from capital debt	80,350,000	-	80,350,000	-
Bond issuance cost	(68,216)	-	(68,216)	-
Net cash used for capital and related financing activities	(537,068,774)	(1,667,280)	(538,736,054)	(9,223,735)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(1,664,242,199)	-	(1,664,242,199)	(19,945,372)
Proceeds from sales and maturities of investments	1,459,867,620	-	1,459,867,620	21,910,000
Interest paid	-	(673,718)	(673,718)	(43,715,712)
Interest received	32,130,459	175,723	32,306,182	1,650,553
Net cash used for investing activities	(172,244,120)	(497,995)	(172,742,115)	(40,100,531)
Net change in cash and cash equivalents	(203,743,812)	3,525,771	(200,218,041)	27,217,464
Cash and cash equivalents, beginning	699,960,694	10,780,460	710,741,154	38,651,532
Cash and cash equivalents, ending	$ 496,216,882	$ 14,306,231	$ 510,523,113	$ 65,868,996
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating income	$ 495,224,371	$ 3,699,683	$ 498,924,054	$ 1,795,843
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	94,687,285	1,015,053	95,702,338	8,877,985
Other nonoperating revenues	2,197,934	-	2,197,934	754,272
Changes in current assets and liabilities:				
Receivables, net	(764,784)	1,192,816	428,032	(849,680)
Notes and leases receivable	7,581	-	7,581	-
Prepaids and other assets	(358,042)	-	(358,042)	(46,430)
Inventories	309,260	-	309,260	321,869
Deferred Outflows for Pension	(12,663,832)	-	(12,663,832)	-
Vouchers payable and accrued liabilities	36,458,656	243,006	36,701,662	(21,715,886)
Retainage payable	13,684,425	-	13,684,425	-
Due to other governmental units	884,054	-	884,054	-
Other liabilities	(414)	(4,215)	(4,629)	-
Pollution payable	(248,921)	-	(248,921)	-
Unearned revenue	7,298,494	-	7,298,494	(165,382)
Compensatory time payable	193,589	18,928	212,517	150,725
Deferred Inflows for Pension	(2,867,726)	-	(2,867,726)	-
Net cash provided by (used for) operating activities	$ 634,041,930	$ 6,165,271	$ 640,207,201	$ (10,876,684)
Non-Cash Operating, Capital and Related Financing, And Investing Activities:				
Increase in fair value of hedging derivatives	$ 2,595,888	$ -	$ 2,595,888	$ -
Increase in fair value of investments	2,494,276	1,068,853	3,563,129	44,718,654
Purchase of capital assets on account	9,238,964	-	9,238,964	-

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
February 28, 2019

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	$ 294,094,576
Investments	140,866,414
Accounts receivable, net	1,793,521
Other receivables, net	8,469,151
Accrued interest receivable	112,823
Total assets	$ 445,336,485
LIABILITIES	
Vouchers payable	$ 78,922
Accrued payroll and compensated absences	18,371,391
Incurred but not reported claims	9,086,250
Held for others	417,799,922
Total liabilities	$ 445,336,485

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION - COMPONENT UNITS
FEBRUARY 28, 2019

	Harris Center for Mental Health and IDD (formerly MHMRA)	Harris County Hospital District dba Harris Health System	Nonmajor Component Units	Total
ASSETS				
Cash and cash equivalents	$ 3,307,943	$ 577,944,000	$ 9,570,676	$ 590,822,619
Investments, including accrued interest	82,799,134	459,834,000	1,707,729	544,340,863
Receivables:				
Taxes, net	-	31,325,000	-	31,325,000
Accounts, net	14,878,205	78,814,000	5,075,907	98,768,112
Other	4,349,130	35,268,000	85,191	39,702,321
Inventories	235,526	7,991,000	-	8,226,526
Prepaids and other assets	686,580	150,654,000	322,502	151,663,082
Restricted cash and investments	353,127	150,358,000	50,000	150,761,127
Capital assets:				
Land,improvements, and construction in progress	5,229,661	107,503,000	5,965,681	118,698,342
Other capital assets, net of depreciation	30,280,438	358,793,000	32,717,025	421,790,463
Total assets	142,119,744	1,958,484,000	55,494,711	2,156,098,455
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	-	9,588,000	-	9,588,000
Derivative financial instrument	-	7,918,000	-	7,918,000
Resources Related to Pension	-	60,122,000	-	60,122,000
Total deferred outflows of resources	-	77,628,000	-	77,628,000
LIABILITIES				
Vouchers payable and accrued liabilities	13,115,636	189,696,000	166,126	202,977,762
Other liabilities	-	193,282,000	-	193,282,000
Unearned revenue	14,542,324	-	89,947	14,632,271
Accrued interest payable	-	528,000	-	528,000
Noncurrent liabilities:				
Due within one year	1,400,394	8,546,000	-	9,946,394
Due in more than one year	7,502,607	1,033,356,000	-	1,040,858,607
Total liabilities	36,560,961	1,425,408,000	256,073	1,462,225,034
NET POSITION				
Net investment in capital assets	32,326,948	179,258,000	-	211,584,948
Restricted for:				
Debt service	-	32,532,000	-	32,532,000
Donor restrictions	-	33,265,000	5,634,357	38,899,357
Unrestricted net position	73,231,835	365,649,000	49,604,281	488,485,116
Total net position	$ 105,558,783	$ 610,704,000	$ 55,238,638	$ 771,501,421

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
COMPONENT UNITS
For The Year Ended February 28, 2019

	Harris Center for Mental Health and IDD (formerly MHMRA)	Harris County Hospital District dba Harris Health System	Nonmajor Component Units	Total
REVENUES				
Program Revenues:				
Charges for services	$ 59,932,192	$ 477,758,000	$ 4,775,727	$ 542,465,919
Operating grants and contributions	175,478,385	1,902,565,000	8,228,590	2,086,271,975
Total program revenues	235,410,577	2,380,323,000	13,004,317	2,628,737,894
EXPENSES	238,300,883	3,088,521,000	7,876,692	3,334,698,575
Net program revenues (expenses)	(2,890,306)	(708,198,000)	5,127,625	(705,960,681)
General Revenues:				
Ad valorem tax revenues	-	739,022,000	-	739,022,000
Earnings on investments	943,216	31,957,000	45,799	32,946,015
Other	19,152,757	15,258,000	423,559	34,834,316
Gain on sale of capital assets	3,604,408	-	-	3,604,408
Net general revenues	23,700,381	786,237,000	469,358	810,406,739
Change in net position	20,810,075	78,039,000	5,596,983	104,446,058
Net position, beginning	84,748,708	663,755,000	49,641,655	798,145,363
Prior period adjustment (a)	-	(131,090,000)	-	(131,090,000)
Net position, ending	$ 105,558,783	$ 610,704,000	$ 55,238,638	$ 771,501,421

(a) Beginning of the year balance was restated due to change in accounting principle (GASB 75).

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The County is a public corporation and a political subdivision of the State of Texas. The County is governed by Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a vast array of services which include public safety, administration of justice, health and human services, culture and recreation services, public improvements, flood control, and general administration.

As required by GAAP, the financial statements of the reporting entity include those of the County (the primary government) and its component units in conformity with GASB Statement No. 14, *The Financial Reporting Entity* ("GASB 14"), GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* ("GASB 39"), GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"), and GASB Statement No. 80, *Blending Requirements for Certain Component Units*, clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities.

In accordance with these standards, a financial reporting entity consists of the primary government and its component units. Component units are legally separate entities for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County's financial statements to be misleading. Blended component units, although legally separate entities, are, in substance, part of the County's operations, so data from these units are combined with data of the County. Each discretely presented component unit, on the other hand, is reported in a separate column titled "Component Units" on the combined statements to emphasize that it is legally separate from the government.

The criteria used to determine whether an organization is a component unit of the County and whether it is a discretely presented or a blended component unit includes: financial accountability of the County for the component unit, whether the County appoints a voting majority of the entity's governing board, the ability to impose the County's will on the component unit, fiscal dependency criterion, if it is a financial benefit to or burden on the County, and whether services are provided entirely or almost entirely to the primary government.

Blended Component Units. For financial reporting purposes, the Harris County Flood Control District, the Harris County Sports & Convention Corporation, and the Harris County Redevelopment Authority are included in the operations and activities of the County as blended component units.

Harris County Flood Control District ("Flood Control District"). The Flood Control District provides programs and policies to protect homes and businesses from the hazards of flooding and to facilitate economic development. The County prepares and approves the budget, sets the tax rate, and approves all bond issuances of the Flood Control District. The criteria used to include the Flood Control District as a blended component unit of the County include: the County appoints a voting majority of the Flood Control District's governing body, the County is able to impose its will on the Flood Control District, and the County's and the Flood Control District's governing bodies are substantially the same and there is a financial benefit/burden relationship.

Harris County Sports & Convention Corporation ("Sports & Convention Corporation"). The Sports & Convention Corporation was formed to act on behalf of the County by negotiating and managing a contract with an outside vendor for the operations and management of the Reliant Park Complex. The Sports & Convention Corporation is included as a blended component unit of the County because it almost exclusively benefits Harris County as an entity opposed to the populace or public—much like an internal service fund. The Sports & Convention Corporation was created by the County under the authority of state law. The County appoints a voting majority of the Sports & Convention Corporation's governing body, and the County is able to impose its will on the Sports & Convention Corporation.

Harris County Redevelopment Authority ("Redevelopment Authority"). The Redevelopment Authority was organized exclusively for the purposes of aiding and acting on behalf of the County to accomplish any governmental purpose thereof pursuant to Subchapter D of Chapter 431 of the Texas Transportation Code. The criteria used to include the Redevelopment Authority as a blended component unit of the County include: the County appoints a voting majority of the Redevelopment Authority's governing body, the County is able to impose its will on the Redevelopment Authority, and the Redevelopment Authority was formed for the exclusive benefit of the County as an entity opposed to the populace or public—much like an internal service fund.

Discretely Presented Component Units. The component unit column in the government-wide financial statements includes the financial data of the County's discrete component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Harris County Hospital District, dba Harris Health System ("Hospital District"). The Hospital District provides medical, dental and hospital care for Harris County's indigent and needy. The criteria used to determine inclusion as a discretely presented component unit are: nine members of the governing board of the Hospital District are appointed by Commissioners Court, Commissioners Court approves the Hospital District's tax rate and annual budget but does not provide any funding or hold title to any of the Hospital District's assets, and the Hospital District cannot issue bonded debt without Commissioners Court approval. Services provided by the Hospital District are to the citizenry and not to the County. Complete financial statements may be obtained from:

Chief Financial Officer
Harris County Hospital District, dba Harris Health System
2525 Holly Hall, Suite 270
Houston, TX 77054

Harris Center for Mental Health and IDD (Intellectual and Development Disabilities)—(formerly MHMRA of Harris County). The Harris Center for Mental Health and IDD is a public agency providing services for residents of the County who do not require long-term institutional mental health care. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing Board of Directors are appointed by Commissioners Court, the County is able to impose its will, and there is a provision of funding to the Harris Center for Mental Health and IDD. The Harris Center for Mental Health and IDD can issue bonded debt without approval from the County. Complete financial statements may be obtained from:

Chief Financial Officer
Harris Center for Mental Health & IDD
P.O. Box 25381
Houston, TX 77265

Harris County Housing Finance Corporation ("Housing Finance Corporation"). The Housing Finance Corporation is exempt from federal income tax and is authorized to issue debt instruments for the purpose of purchasing single family home mortgages and providing financing for multifamily projects, both relating to low and moderate income residents. The Housing Finance Corporation was created by Commissioners Court but is not a political subdivision of Harris County under state law. The criteria used to determine the Housing Finance Corporation's inclusion as a discretely presented component unit are: all members of the governing body are all appointed by Commissioners Court and the County is able to impose its will on the Housing Finance Corporation. Services provided by the Housing Finance Corporation are to the citizenry and not to the County. Complete financial statements may be obtained from:

Harris County Housing Finance Corporation
1001 Fannin, Suite 2500
Houston, TX 77002-6760

Harris County Industrial Development Corporation ("Industrial Development Corporation"). The Industrial Development Corporation provides financing through the issuance of industrial and manufacturing bonds, which promotes and encourages employment and the public welfare in the County. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County is able to impose its will on the Industrial Development Corporation. Complete financial statements may be obtained from:

Board President – Robert L. Silvers
Fulbright & Jaworski, L.L.P.
1301 McKinney, Suite 5100
Houston, TX 77010-3095

Children's Assessment Center Foundation, Inc. ("CACF"). The Foundation (a Texas nonprofit corporation) was created to raise and provide funding for the Children's Assessment Center ("CAC"). The CAC provides a safe haven to sexually abused children and their families. CAC employs an extraordinarily effective, multidisciplinary team approach in the prevention, assessment, investigation, referral for prosecution, and treatment of child sexual abuse. The criteria used to determine inclusion as a discretely presented component unit are: CACF provides a direct benefit to the County and is financially integrated with the County. Complete financial statements may be obtained from:

Chief Financial Officer – Betsey Runge
The Children's Assessment Center Foundation
2500 Bolsover
Houston, TX 77005

Friends of Countypets. The Friends of Countypets is a public nonprofit corporation organized to aid and act on behalf of Harris County, Texas in providing funds for the operation, maintenance, and improvement of veterinary public health programs of Harris County Public Health and Environmental Services. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court, the County is able to impose its will through the budget, and the services provided are to the County. Complete financial statements may be obtained from:

Treasurer – Nancy Piwonka
Friends of CountyPets
612 Canino Road
Houston, TX 77076
www.friendsofcountypets.org

Harris County Health Facilities Development Corporation ("HFDC"). The HFDC provides financing for qualified health facilities. Eligible projects must improve the adequacy, cost and accessibility of health care in Houston, Texas. Under the current tax code, eligible borrowers are limited to non-profit corporations. HFDC financing costs are limited to land, buildings, and equipment. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County can impose its will. HFDC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 10.D. to the financial statements.

Harris County Cultural Education Facilities Finance Corporation ("CEFFC"). The CEFFC provides and finances cultural education facilities for the exhibition and promotion of and education about the performing, dramatic, visual and literary arts, natural history, and science for the public purpose of promoting the health, education and welfare of the citizens of the County.

The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County can impose its will on CEFFC. The CEFFC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 9.D. to the financial statements.

Condensed Financial Statements. Condensed financial statements of each discretely presented component unit discussed above are presented. The fiscal year-ends for the discretely presented component units are as follows:

- Harris County Hospital District, dba Harris Health System: February 28, 2019
- Harris Center for Mental Health and IDD (formerly MHMRA): August 31, 2018
- Harris County Housing Finance Corporation: December 31, 2018
- Harris County Industrial Development Corporation: August 31, 2018
- Children's Assessment Center Foundation, Inc.: February 28, 2019
- Friends of Countypets: February 28, 2019

B. RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Related organizations and jointly governed organizations provide services within the County that are administered by separate boards or commissions, but the County is not financially accountable, and such organizations are therefore not component units of the County, even though Commissioners Court may appoint a voting majority of an organization's board. Consequently, financial information for the following entities is not included within the scope of these financial statements.

Related Organizations. Related organizations of the County include the Emergency Service Districts which were created to implement emergency services to specific areas.

Jointly Governed Organizations. The County is a participant in jointly governed organizations. Commissioners Court appoints two of seven board members of the Port of Houston Authority; four of thirty-seven board members of the Gulf Coast Community Services Association; three of nineteen board members of the Harris-Galveston Coastal Subsidence District; two of thirty-five board members of the Houston-Galveston Area Council; two of nine board members of the Metropolitan Transit Authority of Harris County; six of thirteen board members of the Harris County/Houston Sports Authority with the chairman appointed jointly by Harris County and the City of Houston; three of twelve board members of the Gulf Coast Freight Rail District with the chairman appointed jointly by Harris County and the City of Houston; one of twenty-one board members of the Texas High Speed Rail and Transportation Corporation; at least three of the ten to thirteen board members of the Houston Ship Channel Security District; and all five board members of the Harris County Housing Authority.

During fiscal year 2019, the County disbursed the following amounts to these organizations: $149,455 to the Port of Houston Authority, $61,900 to Houston-Galveston Area Council, $1,896,053 to the Metropolitan Transit Authority of Harris County, $65,008 to Harris

County/Houston Sports Authority, and $4,372,189 to Harris County Housing Authority. The County also collected $437,852 from the Port of Houston Authority, $3,191,536 from the Houston-Galveston Area Council, $472,406 from the Metropolitan Transit Authority of Harris County, $48,316 from Harris County/Houston Sports Authority, $1,132,774 from the Houston Ship Channel Security District, and $2,454,924 from the Harris County Housing Authority.

The County is also a participant in several jointly governed Tax Increment Reinvestment Zones, (TIRZs) with the City of Houston, the City of La Porte, and the City of Baytown. The County's participation in each TIRZ is pursuant to an Interlocal Agreement between the County, the municipality, and the respective TIRZ board of directors. For each TIRZ in which the County participates, Commissioners Court appoints one or more board member. Each of the TIRZs that the County jointly governs has up to fifteen members on its board of directors. Depending upon the terms of the municipal creation ordinance for a specific TIRZ, the municipality and any affected school district also appoints board members. For petition TIRZs, state elected representatives in whose districts a TIRZ is created also appoint one board member each. The petition TIRZs are required by statute to set aside a percentage of the increment paid into the TIRZ Fund to establish affordable housing within the area (not necessarily within the TIRZ itself), while the TIRZs created by city action have no such requirement.

During fiscal year 2019 (for the tax year ended December 31, 2018), the County disbursed $4,351,496 to the City of Houston TIRZs, $1,068,261 to the City of Baytown TIRZ, and $694,972 to the City of La Porte TIRZ.

C. Implementation of New Standards

In the current fiscal year the County implemented the following new standards:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 improves accounting and financial reporting for postemployment benefits other than pensions. The required changes due to the implementation of GASB 75 are reflected in the County's financial statements and notes to those statements. GASB 75 required restatement of beginning net position as follows:

	Governmental Activities	Business-type Activities	Total
March 1, 2018, as previously reported	10,503,271,286	1,590,891,930	12,094,163,216
Adjustment for GASB 75	(1,040,648,886)	(30,391,743)	(1,071,040,629)
March 1, 2018, as restated	9,462,622,400	1,560,500,187	11,023,122,587

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. Implementation of GASB 85 did not have an impact on the County's financial statements or disclosures.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* ("GASB 86"), addresses certain issues that have been raised with respect to Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt.* Specifically, this statement 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. Implementation of GASB 86 did not have an impact on the County's financial statements or disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* ("GASB 89"), requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Implementation of GASB 89 caused an increase in interest expense for business-type activities.

D. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. 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 County'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 include those generated from administration of justice, parks, county administration, health and human services, flood control, tax administration, and roads and bridges. Taxes and other items not included among program revenues are reported instead as general revenues. Miscellaneous general revenues contain non-program specific contributions.

Fiduciary funds are excluded from the government-wide presentation of the financial statements.

<u>Fund Statements</u>
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 County 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. Grant and entitlement revenues are also susceptible to accrual. Encumbrances are used during the year. 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.

All proprietary funds, including the enterprise and internal service funds, and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus. 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 County are organized and operated 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/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. The major funds of the County are noted within each category.

GOVERNMENTAL FUNDS: Used to account for all or most of a government's general activity.

General Fund - used to account for the general operations of the County, limited-tax permanent improvement debt service of the County, public improvement contingencies, the mobility program, and "internal special revenue funds" not meeting the special revenue fund definition of GAAP.

PROPRIETARY FUNDS: Used to account for operations that are financed in a manner similar to those in the private sector, where the determination of net income is appropriate for sound financial administration.

Toll Road Authority - used to account for the acquisition, operation, and maintenance of County toll roads. These facilities are financed primarily through user charges.

Internal Service Funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis. The individual funds within this category are presented below.

Vehicle Maintenance - used to account for the operation and maintenance of the County's Vehicle Maintenance Department which is financed through user charges.

Radio Operations - used to account for the operation of County radios which is financed through user charges.

Inmate Industries - used to account for the operation of the printing services provided by inmates to County departments which is financed by user charges.

Health Insurance Management - used to account for County employees' group health insurance activities.

Risk Management - used to account for the County's workers' compensation and other risk management activities. Workers' compensation includes medical and indemnity payments as required by law for on-the-job related injuries. Other risk management activities include coordination of all insurance policies and management of self-insured risk.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods in connection with the proprietary fund's principal operations. The principal operating revenues of the Parking Facilities Enterprise Fund is user fees. Operating revenues of the Sheriff's Commissary Enterprise Fund are comprised of revenue from the sale of items to inmates. Toll Road Enterprise Fund operating revenues consist of fees assessed each time a vehicle passes through a toll station on the County's toll roads. Operating revenues in the Internal Service Funds consist primarily of charges to the various County departments. Operating expenses in the enterprise and internal service funds include the cost of sales and services, administrative expenses, incurred and estimated claims and reinsurance, utilities, travel and transportation, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Fiduciary Funds: Used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The County reports seventeen agency funds as fiduciary funds. Agency funds are used to account for assets held by the County as an agent on behalf of various third parties outside the primary government. The largest fiduciary funds are as follows:

District Clerk Registry - established for the purpose of accounting for monies held in the custody of the District Clerk under orders of various Harris County courts.

County Clerk Registry - established for the purpose of accounting for monies held in the custody of the County Clerk under orders of various Harris County courts.

Officers' Fees - used as a clearing fund for fees, fines and court costs collected by Sheriff, County Clerk, District Clerk, and/or other fee officers of the County.

Bail Security - assets pledged by Bail Bond licensees as collateral are accounted for in this fund.

Tax Collector's - tax collections are deposited in the Tax Collector's agency fund pending audit and distribution to the County or other taxing jurisdiction. Receipts from the sale of beer licenses are deposited in this fund pending approval by the State Alcoholic Beverage Commission.

E. BUDGETS

Harris County adheres to the following procedures in its consideration and adoption of its annual operating budget:

- 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.

- Public hearings are held on the proposed budget.

- The County Auditor prepares 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.

- 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, budgeted expenditures may not exceed available resources.

- Annual budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service

Funds and Capital Project Funds.

- The department is the legal level of budgetary control for General Fund-Operating. Commissioners Court approval is necessary to transfer appropriations between departments. Transfers may not increase the total budget. Budgetary control for Special Revenue Funds, Debt Service Funds and Capital Project Funds is at the fund level.

- 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.

- For financial reporting purposes several funds created for budgetary purposes may be combined into a single column on the CAFR.

- Appropriations lapse at year-end for all funds except Harris County Juvenile Board, Special Revenue Grants, and Capital Project Funds.

- Budgets are prepared on a cash basis (budget basis) which differs from 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 the Required Supplementary Information.

F. <u>RESTRICTED ASSETS</u>

Certain assets of the County's General Fund are classified as restricted assets because their use is restricted for a specific purpose by contract or state statute. The County uses the General Fund to account for the debt service on bonds issued for permanent improvement purposes, to account for certain imprest bank accounts, and mobility funds which are restricted by statute.

The Debt Service Funds' cash and investments are restricted for debt service on bonds issued for roads and flood control purposes.

Certain assets of the Toll Road Authority are classified as restricted assets because their use is restricted for debt service.

G. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date of 90 days or less from the date of purchase. Investments are stated at fair value or amortized cost, which is based on quoted market prices with the difference between the purchase price and fair value or amortized cost being recorded as earnings on investments.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the County has many transactions between funds. The accompanying Fund Level financial statements reflect as transfers the resources provided and expenditures used to provide services, construct assets, and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between governmental and business-type activities.

I. INVENTORY

Inventory is reported at cost, using the first-in first-out method for proprietary and governmental fund types. The costs of such inventories are recorded as expenditures/expenses when purchased.

J. 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/expenses when consumed rather than when purchased.

K. PREMIUMS (DISCOUNTS) ON BONDS PAYABLE

Premiums (discounts) on bonds payable are amortized using the effective interest method over the term of the bonds.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position 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, when applicable, deferred charges on refundings, the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods, 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 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, when applicable, the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods, 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.

M. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets include land (including easements and right of ways), intangible assets, construction in progress, land improvements, buildings and building improvements, park improvements and facilities, equipment (including machinery, vehicles, animals, other tangible assets, exhaustible works of art and historical treasures and computer software), and infrastructure that are used in the County's operations and benefit the County for 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 County include roads, bridges, flood control facilities, lighting, storm sewers, and tunnels.

Capital assets of the County are defined as assets with individual costs of $5,000 or more and estimated useful lives in excess of one year. Exceptions to the $5,000 capitalization threshold are as follows: it is the County's policy to capitalize all land and easements, works of art and historical treasures, regardless of the historical cost. Purchased software greater than $100,000 is capitalized; and internally developed software greater than $1,000,000 is capitalized. The threshold for capitalizing land improvements, buildings and building improvements, and park improvements is $100,000. The capitalization threshold for infrastructure ranges from $25,000 to $250,000, depending on the type of infrastructure asset.

All capital assets are stated at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are stated at their acquisition value on the date donated.

Capital assets are depreciated in the government-wide financial statements using the straight-line method over the following useful lives:

Asset	Years	Asset	Years
Land improvements	20	Computer software	5
Buildings	45	Infrastructure:	
Park improvements	30	Bridges	40
Equipment	3-20	Flood control channels	25-75
Machinery	15	Roads	20-50
Vehicles	4-15	Lighting	20
Animals	7	Storm sewers	30-75
Other tangible assets	5	Tunnels	40
Exhaustible works of art and historical treasures	10	Intangible - software licenses	contract term

N. NET POSITION AND FUND BALANCES

NET POSITION CLASSIFICATIONS

Net position in the proprietary fund financial statements and 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.

FUND BALANCE CLASSIFICATIONS

Under GAAP, 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 (if the proceeds from the collection of the receivables are not restricted, committed, or assigned).

Restricted – 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 County'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 County's intent to be used for a specific purposes, but that do not meet the criteria to be restricted or committed. Such intent should be expressed by the Commissioners Court or its designated officials to assign amounts to be used. 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 general fund is the only fund to report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds other than the general fund, if expenditures incurred for specific purposes exceeds the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

For the classification of fund balances in the governmental funds, the County 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.

In the proprietary fund financial statements and in the government-wide financial statements, restricted net position is reported for amounts that are externally restricted by 1) creditors (e.g., bond covenants), grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provision or enabling legislation.

O. <u>COMPENSATED ABSENCES</u>

Accumulated compensatory time, vacation, and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures in the respective governmental funds. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as expenses and long-term liabilities in the governmental activities column of the government-wide financial statements. The majority of these have typically been liquidated from the General Fund in previous years. 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. Accumulated compensated absences of Proprietary Funds are recorded as an expense and liability in the respective fund and in the business-type activities column of the government-wide financial statements as the benefit accrues for the employee.

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 a maximum of 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.

P. STATEMENT OF CASH FLOWS

For purposes of cash flows, the County considers cash equivalents to include all highly liquid investments (including restricted) with a maturity of three months or less when purchased.

Q. 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.

R. COMPONENT UNIT TAX REVENUES

The Hospital District is partially financed by property tax levies (recorded as operating revenues), and partially financed by user charges, the usual revenue source for a proprietary fund activity. However, because of the unique character of services provided by the Hospital District, proprietary fund accounting is necessary to provide meaningful measurement of cost of services of the Hospital District.

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 any 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 County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2019, the balance per various financial institutions was $1,732,858,556. The County'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, 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 Harris County to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, and addresses investment diversification, yield, and maturity.

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 share 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 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. 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.

11. Interest-bearing banking deposits that are guaranteed or insured by: (A) the Federal Deposit Insurance Corporation or its successor; or (B) the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits other than described above if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in Texas that the County selects from a list of its governing body or designated investment committee adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in Texas that the County selects; (B) the broker or depository institution selected as described above arranges for the deposit of the funds in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the deposits is insured by the United States or an instrumentality of the United States; and (D) the County appoints as the custodian of the bank deposits issued for the County's account: (i) the depository institution selected as described above; (ii) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

Summary of Cash and Investments

Harris County's cash and investments are stated at fair value or amortized cost. The following is a summary of the County's cash and investments at February 28, 2019:

	Governmental Funds	Proprietary Funds	Total	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 965,994,279	$ 405,262,008	$ 1,371,256,287	$ 294,094,576	$ 1,665,350,863
Restricted Cash and Cash Equivalents	251,809,667	171,130,101	422,939,768	-	422,939,768
Investments	1,359,473,267	1,142,028,883	2,501,502,150	140,866,414	2,642,368,564
Restricted Investments	46,361	150,381,772	150,428,133	-	150,428,133
Total Cash & Investments	$ 2,577,323,574	$ 1,868,802,764	$ 4,446,126,338	$ 434,960,990	$ 4,881,087,328

Harris County follows the practice of pooling investments for many of the funds identified on the financial statements. Most of the general fund is pooled with other County funds for investment purposes. Interest income earned on pooled cash and investments is allocated each accounting period to the various funds based on the ending cash balances. For financial statement purposes, the principal value of pooled investments is allocated between the participating funds.

The table below indicates the fair value and maturity value of the County's investments as of February 28, 2019, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in days 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					
Farm Credit	$ 49,920,500	1.03%	$ 50,000,000	0.0007	A-1+/P-1
FHLB	154,751,750	3.16%	155,000,000	0.0202	AA+/Aaa
FHLMC	61,652,400	1.26%	62,000,000	0.0063	AA+/Aaa
FNMA	9,925,900	0.20%	10,000,000	0.0011	AA+/Aaa
Total US Agency Notes	276,250,550		277,000,000		
Commercial Paper					
MUFG	342,198,540	6.97%	346,000,000	0.0307	A-1/P-1
TCCI	19,784,805	0.40%	20,000,000	0.0018	A-1/P-1
TMCC	571,062,816	11.64%	575,900,000	0.0393	A-1+/P-1
TMCCI	129,044,887	2.63%	130,000,000	0.0080	A-1+/P-1
XON	204,709,874	4.17%	206,000,000	0.0110	A-1/P-1
Total Commercial Paper	1,266,800,922		1,277,900,000		
Local Governments					
Akron OH Txbl Ref Var Pur Ser B	198,214	0.00%	200,000	0.0000	AA-
Algonac MI Comnty Schs GO Untld	417,507	0.01%	415,000	0.0002	Aa1
Anderson IN Sch Bldg Rev Bonds	563,480	0.01%	550,000	0.0002	AA+
Auburn Wash Utility System	1,952,655	0.04%	1,865,000	0.0024	AA
Austin TX Rev 11A	2,098,200	0.04%	2,000,000	0.0045	AAA/Aaa
Bexar County TX GO	14,264,157	0.29%	14,155,000	0.0148	AAA/Aaa
Bryan TX ISD Tax Exmpt	250,785	0.01%	250,000	0.0001	AAA
Burien Wash BAB Taxable GO	1,171,066	0.02%	1,160,000	0.0015	Aa2
City & Cnty of Denver CO Rev	3,259,607	0.07%	3,285,000	0.0010	AA-/Aa3
City of Columbus OH GO-Tx Exmpt	1,005,620	0.02%	1,000,000	0.0003	AAA/Aaa
City of Conroe TX GO Ltd	302,232	0.01%	300,000	0.0002	AA+/Aa1
City of Dallas TX Wtrwrks Rev	2,264,618	0.05%	2,285,000	0.0008	AAA/Aa1
City of Frisco TX GO Ltd	1,943,739	0.04%	1,955,000	0.0008	AAA/Aaa
City of Stoughton WI GO Tx Exmpt	528,197	0.01%	525,000	0.0002	Aa2
City of West Allis WI GO Unltd	300,639	0.01%	300,000	0.0001	AA/Aa2
Cobb-Marietta Coliseum GA Rev	1,429,820	0.03%	1,435,000	0.0006	AAA/Aaa
College Station TX ISD	1,294,605	0.03%	1,280,000	0.0018	AA-/Aa2
Columbus OH Ser B Tx Exmpt	865,268	0.02%	865,000	0.0000	AAA/Aaa
Columbus Ohio Ser A Tx Exmpt	1,634,132	0.03%	1,625,000	0.0005	AAA/Aaa
Conroe TX Industrial Development Rev	5,640,739	0.11%	5,445,000	0.0088	AA
Cty Boulder CO Wtr Swr Rev Tx Exmpt	1,354,239	0.03%	1,350,000	0.0002	AAA/Aa1
Cty Columbus OH GO Unlt Tx Exmpt	9,304,209	0.19%	8,935,000	0.0071	AAA/Aaa
Dallas TX Ref GO Bond	2,027,080	0.04%	2,000,000	0.0018	AA-/A1
Denver City & Cnty Sch Dist	7,123,699	0.15%	7,160,000	0.0027	AA+/Aa1
Denver CO BAB	3,622,801	0.07%	3,540,000	0.0063	AAA/Aaa
Greensboro NC Build America Bnds	2,050,420	0.04%	2,000,000	0.0032	AAA/Aaa
Hillsborough Cnty FL Utility Rev	14,490,498	0.30%	14,165,000	0.0146	AA+/Aaa
Honolulu City & Cnty HI GO Unltd	1,006,240	0.02%	1,000,000	0.0004	Aa1
Houston TX Utility Rev Ref Bonds	599,688	0.01%	600,000	0.0001	Aa2
Houston TX Utility Systems	2,273,943	0.05%	2,100,000	0.0053	AA
Idaho Bond Bank Authority Rev	4,387,510	0.09%	4,240,000	0.0053	Aa1
Indiana Bonds Bk Rev Txbl	4,003,370	0.08%	4,000,000	0.0010	AA+

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Indiana Finance Auth Rev Bonds	1,526,982	0.03%	1,550,000	0.0004	AA+/Aa1
Iowa St Brd Regents Hosp Rev	370,485	0.01%	375,000	0.0002	AA/Aa2
Katy TX ISD BAB	2,045,170	0.04%	2,000,000	0.0022	AAA/Aaa
Laredo TX ISD Tx Exmpt	976,000	0.02%	1,000,000	0.0003	AAA/Aaa
Leander TX ISD GO Unltd	464,169	0.01%	485,000	0.0003	AA
Leander TX Ref Fed Tx Exmpt	1,001,510	0.02%	1,000,000	0.0001	AA/Aa2
Louisiana St UTGO Txbl	1,997,140	0.04%	2,000,000	0.0001	AA-/Aa3
Louisville & Jefferson Cnty KY Rev	1,015,410	0.02%	1,000,000	0.0001	SP1+/MIG1
Madison Cnty KY GO Unltd	150,123	0.00%	150,000	0.0001	Aa2
Maine St Hsg Auth Rev Bonds	2,718,404	0.06%	2,680,000	0.0016	AA+/Aa1
Maricopa Cnty AZ UNIF SD Tx Exmpt	3,136,926	0.06%	3,125,000	0.0009	AA/Aa2
Massachusetts St Green Tx Exmpt	1,006,250	0.02%	1,000,000	0.0003	AA/Aa1
Mercer CO NJ Tx Exmpt	3,858,182	0.08%	3,850,000	0.0008	AA+/Aa2
MI St Mtge Rev Tx Exmpt	644,910	0.01%	645,000	0.0000	AA+/Aa2
Milwaukee WI Tech Clg GO Unltd	302,127	0.01%	300,000	0.0001	Aa1
Minnesota Pub Facs Rev Tx Exmpt	4,108,120	0.08%	4,000,000	0.0018	AAA/Aaa
Mio-AuSable Sch GO Unltd	90,076	0.00%	90,000	0.0000	Aa1
Missouri St Rev Bonds	379,380	0.01%	375,000	0.0001	Aaa
Montgomery Cnty TX GO	3,500,000	0.07%	3,500,000	0.0069	AA+/Aaa
New York City NY Rev Bonds	2,965,980	0.06%	3,000,000	0.0014	AAA/Aa1
New York St Dorm Rev Bonds	6,481,060	0.13%	6,500,000	0.0028	AA+/Aa1
New York State Rev Bonds	14,868,750	0.30%	15,000,000	0.0065	AA+/Aa1
North TX Mun Wtr Dist BAB	2,782,587	0.06%	2,700,000	0.0032	AAA/Aa2
NY St Dorm Auth Sales Tx Rev	10,015,800	0.20%	10,000,000	0.0044	AA+/Aa1
Oklahoma Cnty OK ISD Tx Exmpt	2,718,702	0.06%	2,710,000	0.0008	AA+
Oregon St Alt Energy Proj Ser A	2,785,504	0.06%	2,780,000	0.0058	AA+/Aa1
Pecos Barstow TX ISD	1,402,468	0.03%	1,390,000	0.0009	AAA
Raleigh NC Rev Bonds	406,484	0.01%	400,000	0.0002	AA+/Aa1
Red River TX Education Fin Rev	2,599,362	0.05%	2,535,000	0.0059	Aa3
Richmond IN Cmnty Sch GO Ltd	582,700	0.01%	570,000	0.0002	AA+
Rockwall TX ISD Tx Exmpt	1,968,740	0.04%	2,000,000	0.0004	AAA/Aaa
Round Rock TX ISD BAB	1,025,780	0.02%	1,000,000	0.0009	Aaa
Round Rock TX ISD Tx Exmpt	3,514,728	0.07%	3,375,000	0.0025	Aaa
Saint Croix WI Sch Dist GO Unltd	307,167	0.01%	300,000	0.0001	AA
Salt Lake Cnty Utah Sales Tx Rev	1,674,320	0.03%	1,630,000	0.0031	AAA
San Angelo ISD Ref Tx Exmpt	969,279	0.02%	985,000	0.0000	AAA
San Antonio TX Build America Bnds	1,702,035	0.03%	1,635,000	0.0040	AAA/Aaa
San Antonio TX Water Rev BAB	4,066,640	0.08%	4,000,000	0.0030	AA+/Aa1
San Marcos TX Cons ISD Tx Exmpt	1,594,134	0.03%	1,605,000	0.0001	AAA/Aaa
Snohomish Cnty WA BAB	2,844,401	0.06%	2,760,000	0.0036	AA+/Aa1
Socorro TX ISD GO Unltd	272,824	0.01%	270,000	0.0000	Aaa
Springfield MO Sch Dist Tx Exmpt	1,520,999	0.03%	1,515,000	0.0003	AA+
St Louis Cnty Tx Exmpt	1,011,990	0.02%	1,000,000	0.0004	AA
St of Delaware Go Unlt Tx Exmpt	2,704,600	0.06%	2,620,000	0.0014	AAA/Aaa
St of Ohio GO Tx Exmpt	1,347,450	0.03%	1,340,000	0.0004	AA+/Aa1
State of Texas GO Bonds	2,600,216	0.05%	2,595,000	0.0009	AAA/Aaa

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
State of Wisconsin Rev Bonds	1,556,553	0.03%	1,580,000	0.0004	AA-/Aa2
Sugar Land TX CTFS Oblig	5,542,560	0.11%	5,400,000	0.0113	AAA/Aaa
Tennessee State Sch Bond Auth Txbl	1,488,045	0.03%	1,500,000	0.0002	AA+/Aa1
Texas A&M Univ Rev Bonds	4,691,575	0.10%	4,750,000	0.0012	AAA/Aaa
Texas City, TX ISD	1,299,945	0.03%	1,285,000	0.0021	AA
Texas St A&M Univ Rev Txbl Ser A	1,999,740	0.04%	2,000,000	0.0005	AAA/Aaa
Texas St Tech Univ Rev	5,248,513	0.11%	5,230,000	0.0044	AA+/Aa1
Thornapple Kellog MI Sch Dist	898,317	0.02%	900,000	0.0004	Aa1
Trinity River TX Rev Tx Exmpt	1,219,459	0.02%	1,215,000	0.0004	AA-
Tulsa Cnty OK ISD #5 Tx Exmpt	2,559,945	0.05%	2,550,000	0.0007	Aa2
Tulsa Co ISD #9 GO Tx Exmpt	3,553,594	0.07%	3,540,000	0.0008	AA+
TX Wtr Dev Brd Ser A Tx Exmpt	998,720	0.02%	1,000,000	0.0002	AAA
Univ of Alabama Rev Bonds	322,598	0.01%	330,000	0.0002	AA/A2
Univ of Arkansas Rev Bonds	147,998	0.00%	150,000	0.0001	Aa2
Univ of Kentucky Gen Rcpts	3,186,363	0.06%	3,190,000	0.0001	AA/Aa2
Virginia St Hsg Development Auth	1,426,948	0.03%	1,375,000	0.0036	AA+/Aa1
Washington Co MN Tx Exmpt	599,898	0.01%	600,000	0.0002	AAA/Aaa
West Virginia Dev Hsg Tx Exmpt	1,778,847	0.04%	1,780,000	0.0002	AAA/Aaa
Total Local Governments	238,174,659		235,700,000		
US Treasury Notes					
US Treasury Notes	1,153,219,541	23.50%	1,160,247,000	0.1276	AA+/Aaa
Total US Treasury Notes	1,153,219,541		1,160,247,000		
Money Market Mutual Funds					
LOGIC Investment Pool	91,502,907	1.86%	91,502,907	N/A	AAAm
Lone Star Investment Pool	69,261,051	1.41%	69,261,051	N/A	AAAm
Texas Class Investment Pool	86,524,786	1.76%	86,524,786	N/A	AAAm
MMF - Cadence	998,285,081	20.34%	998,285,081	N/A	N/A
DDA - Cadence	556,031,743	11.33%	556,031,743	N/A	N/A
TRA - Invesco BNYM	171,030,101	3.49%	171,030,101	N/A	N/A
Total Money Market Mutual Funds	1,972,635,669		1,972,635,669		
Total Investments	4,907,081,341				
Outstanding items/deposits	(25,994,013)				
Total Cash & Investments	$ 4,881,087,328	100.00%	$ 4,923,482,669		

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy 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 inputs are significant unobservable inputs.

As of February 28, 2019, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments and U.S. Treasury Notes totaling $2,934,445,672, 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 $1,972,635,669 are measured at amortized cost and fair value in accordance with GASB Nos. 72 and 79. Texas Class investment pool is measured at fair value using level 2 inputs. LOGIC, Lone Star, Cadence Money Market Fund, and TRA Invesco BNYM portfolios are measured at amortized cost, which approximates fair value. Cadence Demand Deposit Accounts preserves capital and liquidity and is considered cash value.

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 County 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, flood control, proprietary and enterprise, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and bond reserves, 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, 2019, the County 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 County 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 minimized.

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 County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2019, all of the County's investments are held in the County'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 County 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 Harris County financial statements. The three investment strategies employed by Harris County are the Matching Approach, the Barbell Approach and the Laddered 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. The Laddered Approach is an investment method where maturities are positioned to occur in regular intervals, providing a known stream of cash.

Specific guidelines have not been established for Pooled Investments, but the same standards that were developed for the General Fund Group are also applicable to 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
Pooled Investments	Matching	3	$ 1,461,950,000	0.63
Special Revenue Funds	Matching	5	123,190,000	0.41
Capital Project Funds	Matching/Barbell	5	46,500,000	0.28
Public Improvement Contingency	Matching/Barbell	6	27,500,000	0.42
Proprietary & Enterprise Funds	Matching/Barbell	6	10,000,000	0.12
Toll Road Project Funds	Matching/Barbell/Laddered	6	925,932,000	1.83
Toll Road Renewal/Replacement	Matching/Barbell/Laddered	6	120,600,000	0.49
Toll Road Bond Reserve	Matching	Maturity of the bonds	134,775,000	3.94
County Clerk Registry	Matching/Laddered	7	29,900,000	0.35
District Clerk Registry	Matching/Laddered	7	70,500,000	0.26
Money Market Mutual Funds	N/A	N/A	1,972,635,669	N/A
			$ 4,923,482,669	

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

3. PROPERTY TAXES

COUNTY

Property taxes for the County and the Flood Control District are levied on tax rates adopted within 60 days of receiving the certified roll or September 30, whichever is later. Tax rates 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. All tax payments not received by February 1, after the taxes are levied, are considered delinquent. Accordingly, no current taxes receivable are reported.

Appraised values are determined by the Harris County Appraisal District ("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 County is responsible for setting the tax rates for the County, the Flood Control District, the Hospital District, and the Port of Houston Authority for debt service only. The County adopted the 2018 tax rate, per $100 of taxable value, for the County and Flood Control District as follows:

	Maintenance and Operations	Debt Service	Total
Harris County			
Constitutional Funds	$ 0.35000	$ 0.05116	$ 0.40116
Road Debt Service	-	0.01742	0.01742
Total - Harris County	$ 0.35000	$ 0.06858	$ 0.41858
Flood Control District	$ 0.02738	$ 0.00139	$ 0.02877

The County is permitted by law to levy tax rates for general fund, jury fund, road and bridge fund and permanent improvement fund purposes up to $0.80 per $100 of taxable valuation. The County levied a tax rate of $0.41858 per $100 of taxable valuation subject to the $0.80 tax rate limitation, of which $0.40116 per $100 valuation was for Constitutional Funds, and a tax rate of $0.01742 per $100 valuation was for the Road Debt Service.

The Flood Control District is permitted by law to levy a tax rate up to $0.30 per $100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the $0.30 tax rate limit. 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 Flood Control District. The maximum tax rate for maintenance and operations is $0.15 per $100 of taxable valuation. A tax rate of $0.02738 per $100 valuation was set in 2018 for the Flood Control District's maintenance and operations. The County Tax Assessor-Collector bills and collects the taxes for the County, Flood Control District, Hospital District, Port of Houston Authority, City of Houston and various other jurisdictions within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor-Collector's Agency Fund. Tax collections deposited for the County and Flood Control District are distributed on a periodic basis to the respective General Funds and Debt Service Funds. These distributions are based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

Property tax receivables of $104,488,457 as of February 28, 2019 are reported net of an allowance for uncollectible taxes of $95,647,792.

The County 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 County 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 County'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 County. 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, 2019, the County abated property taxes totaling $281,758 under this program, which includes four entities—one of which was a manufacturing facility, which was granted exemptions that converted to property tax abatements totaling $17,946. Three of the entities were a regional distribution facilities, which were also granted an exemption that converted to a property tax abatement of $263,812.

COMPONENT UNITS

The Hospital District receives property taxes levied by the County Commissioners Court for operations and debt service. Ad Valorem tax revenues are recorded at the time the taxes are assessed, net of provisions for uncollected amounts and collection expenses. Subsequent adjustments to the tax rolls, recorded by the County Tax Assessor-Collector, are included in the revenues in the period such adjustments are made by the County Tax Assessor-Collector.

Property tax receivables of $31,325,000 as of February 28, 2019 are reported net of an allowance for uncollectible taxes of $42,180,000 for the Hospital District.

4. OTHER RECEIVABLES

The County reports accounts receivables and other receivables in the various funds for amounts to be received from customers, granting agencies, and the Tax Assessor. A breakdown of these receivables at February 28, 2019 is as follows:

	Customers	Granting Agencies	Tax Assessor	Total (net)	Allowance for Uncollectible
General	$ 23,227,836	$ -	$ 50,287,311	$ 73,515,147	$ (1,726,568)
Nonmajor Governmental	27,345,115	71,994,471	5,780,503	105,120,089	(959,030)
Toll Road	28,837,591	-	-	28,837,591	(397,804,071)
Nonmajor Enterprise	1,760,067	-	-	1,760,067	-
Internal Service	10,783,977	-	-	10,783,977	(379,962)
Component Units	98,768,112	39,702,321	-	138,470,433	(68,685,834)
Totals	$ 190,722,698	$ 111,696,792	$ 56,067,814	$ 358,487,304	$ (469,555,465)

5. 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 and between governmental funds and internal service funds are eliminated in the government-wide financial statements.

The interfund receivable and payable balances, by individual major fund, other governmental funds (aggregated), other proprietary funds (aggregated), internal service funds (aggregated), and fiduciary funds as of February 28, 2019 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 12,984,478
	Toll Road	178,769
Toll Road	General	985
Nonmajor Governmental	General	1,024,257
	Nonmajor Governmental	52,340,763
	Internal Service	10,505
	Nonmajor Enterprise	3,058
Internal Service	General	1,251
	Nonmajor Governmental	264,328
	Toll Road	809,147
Total		$ 67,617,541

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 140,000
Nonmajor Governmental	Nonmajor Governmental	230,000
Total		$ 370,000

The following is a summary of the County's transfers for the year ended February 28, 2019:

	Transfers In: General	Nonmajor Governmental	Internal Service	Total
Transfers Out:				
General	$ -	$ 66,673,725	$ 87,396,000	$ 154,069,725
Nonmajor Governmental	50,073,465	85,617,233	22,414	135,713,112
Toll Road	135,000,000	-	-	135,000,000
Nonmajor Enterprise	474,115	110	-	474,225
Internal Service	-	-	1,268,731	1,268,731
Total	$ 185,547,580	$ 152,291,068	$ 88,687,145	$ 426,525,793

Toll Road transferred $135 million to the General fund for funding of a County thoroughfare and mobility program. All other transfers are routine in nature, such as cash match of grants, debt service payments, and internal service costs.

6. CAPITAL ASSETS

COUNTY

Capital asset activity for the year ended February 28, 2019 was as follows:

	Balance March 1, 2018	Additions	Deletions	Transfers	Balance February 28, 2019
Governmental Activities:					
Land	$ 4,291,200,602	$ 113,866,372	$ (447,093)	$ 736,747	$ 4,405,356,628
Construction in progress	463,452,274	310,954,433	(2,066,748)	(170,408,269)	601,931,690
Intangible assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	4,757,052,876	424,820,805	(2,513,841)	(169,671,522)	5,009,688,318
Intangible assets - software & licenses	53,800,330	20,555,598	(14,716,234)	1,165,267	60,804,961
Land improvements	15,131,452	-	-	1,410,690	16,542,142
Infrastructure	11,628,471,581	157,417,508	-	92,467,464	11,878,356,553
Park facilities	208,528,383	-	-	10,890,432	219,418,815
Flood control projects	962,719,711	-	-	52,100,033	1,014,819,744
Buildings	1,923,519,768	1,378,748	-	8,659,710	1,933,558,226
Equipment	443,952,082	51,813,225	(34,351,186)	2,977,926	464,392,047
	15,236,123,307	231,165,079	(49,067,420)	169,671,522	15,587,892,488
Less accumulated depreciation for:					
Intangible assets - software & licenses	(52,093,354)	(8,082,375)	14,716,234	-	(45,459,495)
Land improvements	(3,591,466)	(694,310)	-	-	(4,285,776)
Infrastructure	(6,498,244,073)	(269,147,591)	-	-	(6,767,391,664)
Park facilities	(72,939,778)	(6,405,370)	-	-	(79,345,148)
Flood control projects	(445,896,667)	(31,929,630)	-	-	(477,826,297)
Buildings	(704,554,836)	(41,139,492)	-	-	(745,694,328)
Equipment	(305,165,756)	(48,809,633)	31,712,431	-	(322,262,958)
	(8,082,485,930)	(406,208,401)	46,428,665	-	(8,442,265,666)
Total capital assets being depreciated, net	7,153,637,377	(175,043,322)	(2,638,755)	169,671,522	7,145,626,822
Governmental activities capital assets, net	$ 11,910,690,253	$ 249,777,483	$ (5,152,596)	$ -	$ 12,155,315,140

	Balance March 1, 2018	Additions	Deletions	Transfers	Balance February 28, 2019
Business-type Activities:					
Land	$ 374,720,549	$ 9,122,521	$ -	$ (92,715)	$ 383,750,355
Construction in progress	689,748,509	399,188,442	(248,921)	92,715	1,088,780,745
Total capital assets not depreciated	1,064,469,058	408,310,963	(248,921)	-	1,472,531,100
License Agreement	237,500,000	-	-	-	237,500,000
Land improvements	21,266,409	-	-	-	21,266,409
Infrastructure	2,577,706,723	-	-	(546,174)	2,577,160,549
Other tangible assets	19,526,475	-	(37,305)	-	19,489,170
Buildings	39,403,137	-	-	-	39,403,137
Equipment	100,125,892	9,040,427	(10,790,287)	546,174	98,922,206
	2,995,528,636	9,040,427	(10,827,592)	-	2,993,741,471
Less accumulated depreciation/amortization for:					
License Agreement	(46,051,250)	(8,953,750)	-	-	(55,005,000)
Land improvements	(6,375,536)	(1,063,630)	-	-	(7,439,166)
Infrastructure	(1,422,337,671)	(75,330,155)	-	-	(1,497,667,826)
Other tangible assets	(23,279,523)	(392,470)	37,305	-	(23,634,688)
Buildings	(14,362,154)	(869,538)	-	-	(15,231,692)
Equipment	(46,857,784)	(9,092,795)	8,659,280	-	(47,291,299)
	(1,559,263,918)	(95,702,338)	8,696,585	-	(1,646,269,671)
Total capital assets being depreciated, net	1,436,264,718	(86,661,911)	(2,131,007)	-	1,347,471,800
Business-type activities capital assets, net	$ 2,500,733,776	$ 321,649,052	$ (2,379,928)	$ -	$ 2,820,002,900

Depreciation expense was charged to the programs of the primary government as follows:

Governmental activities:		
Administration of Justice	$	24,424,607
Parks		24,850,474
County Administration		50,715,776
Health and Human Services		4,203,222
Flood Control		33,205,989
Tax Administration		241,375
Roads and Bridges		268,566,958
	$	406,208,401
Business-type activities:		
Parking Facilities	$	594,089
Sheriff's Commissary		420,964
Toll Road		94,687,285
	$	95,702,338

COMPONENT UNITS

Harris Center for Mental Health and IDD (August 31, 2018)		**Fiscal Year Beginning Balance**		**Additions/ Transfers**		**Deletions/ Transfers**		**Fiscal Year Ending Balance**
Land	$	6,023,410	$	-	$	(793,749)	$	5,229,661
Buildings & Improvements		46,889,545		1,753,693		(8,073,718)		40,569,520
Equipment, Furniture & Vehicles		10,405,003		347,186		(188,499)		10,563,690
		63,317,958		2,100,879		(9,055,966)		56,362,871
Less accumulated depreciation for:								
Buildings & Improvements		(22,260,008)		(1,981,133)		6,793,683		(17,447,458)
Equipment, Furniture & Vehicles		(7,780,614)		(1,037,737)		104,746		(8,713,605)
		(30,040,622)		(3,018,870)		6,898,429		(26,161,063)
Harris Center for Mental Health and IDD capital assets, net	$	33,277,336	$	(917,991)	$	(2,157,537)	$	30,201,808

The Harris Center for Mental Health and IDD records all governmental capital assets at cost, except for donated fixed assets, which are recorded at their fair market value on the date donated. Depreciation is reported at the government-wide level using the straight-line method over the estimated useful lives of the assets. The schedule included here does not include the capital assets of the Harris Center for Mental Health and IDD's discrete component units (a net value of $5,308,291).

Hospital District (February 28, 2019)	Fiscal Year Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Fiscal Year Ending Balance
Land & Improvements	$ 43,096,000	$ 2,347,000	$ (8,000)	$ 45,435,000
Construction in progress	33,459,000	28,609,000	-	62,068,000
Total capital assets not depreciated	76,555,000	30,956,000	(8,000)	107,503,000
Buildings and Improvements	641,490,000	20,789,000	(2,639,000)	659,640,000
Equipment	365,114,000	32,919,000	(10,394,000)	387,639,000
	1,006,604,000	53,708,000	(13,033,000)	1,047,279,000
Less accumulated depreciation	(647,193,000)	(53,349,000)	12,056,000	(688,486,000)
	(647,193,000)	(53,349,000)	12,056,000	(688,486,000)
Total capital assets being depreciated, net	359,411,000	359,000	(977,000)	358,793,000
Hospital District capital assets, net	$ 435,966,000	$ 31,315,000	$ (985,000)	$ 466,296,000

The Hospital District records land, buildings, improvements, and equipment at cost or fair market value at the time of donation and includes expenditures for new facilities and equipment and those which substantially increase the useful life of existing assets. Depreciation of facilities and equipment is provided using the straight-line method over the estimated useful lives of the assets.

7. CAPITAL LEASES PAYABLE

As of February 28, 2019, there were no outstanding capital leases and the capital leases payable balance is $0.

8. OTHER LIABILITIES

As of February 28, 2019, the Toll Road vouchers payable balance includes the following amount due to other governmental units.

Receivable Entity	Payable Entity	
Montgomery County Toll Authority	Toll Road	$ 106,585
Total Due to Other Governmental Units		$ 106,585

9. LONG-TERM LIABILITIES

The changes in the County's Governmental Long-Term Liabilities and Business-Type Liabilities for fiscal year 2018-2019 were as follows:

	Outstanding March 1, 2018 (Restated)	Issued/ Increased	Redeemed/ Decreased	Outstanding February 28, 2019	Due Within Year
Governmental Activities:					
General Obligation Debt					
Road Bonds - Principal	$ 746,670,000	$ -	$ (51,405,000)	$ 695,265,000	$ 47,250,000
Permanent Improvement Bonds - Principal	812,234,361	-	(76,141,339)	736,093,022	73,505,898
Flood Control Bonds - Principal	553,820,000	-	(27,650,000)	526,170,000	28,025,000
Total Principal General Obligation Debt	2,112,724,361	-	(155,196,339)	1,957,528,022	148,780,898
Unamortized Premiums, Road Bonds	90,144,633	-	(12,140,834)	78,003,799	-
Unamortized Premiums, PIB Bonds	76,041,209	-	(11,631,552)	64,409,657	-
Unamortized Premiums, FC Bonds	55,283,467	56,489	(5,382,069)	49,957,887	-
Accretion of Discount - Capital Appreciation Bonds:					
Road Series 1996	1	-	(1)	-	-
GO Revenue Series 2002	40,841,372	3,618,668	(8,043,662)	36,416,378	8,086,300
Total General Obligation Debt	2,375,035,043	3,675,157	(192,394,457)	2,186,315,743	156,867,198
Tax and Subordinate Lien Revenue Bonds					
Tax and Subordinate Lien Revenue Refunding, Series 2009C	$ 18,595,000	$ -	$ (2,720,000)	$ 15,875,000	$ 2,865,000
Tax and Subordinate Lien Revenue Refunding, Series 2012A	160,430,000	-	-	160,430,000	-
Unamortized Premium, Tax & Sub Lien Rev	21,725,808	-	(2,659,038)	19,066,770	-
Total Tax and Subordinate Lien Revenue Bonds	200,750,808	-	(5,379,038)	195,371,770	2,865,000
Total Bonds Payable	2,575,785,851	3,675,157	(197,773,495)	2,381,687,513	159,732,198
Commercial Paper Payable	91,127,000	133,780,000	(68,200,000)	156,707,000	7,804,333
Compensatory Time Payable	39,386,264	33,107,502	(28,751,975)	43,741,791	25,370,296
Judgments Payable	12,150,000	8,000,000	-	20,150,000	-
Loan Payable	25,669,842	10,058,355	-	35,728,197	4,016,531
OPEB Obligation	1,742,621,824	89,224,082	-	1,831,845,906	-
Net Pension Liability	389,277,459	493,091,427	-	882,368,886	-
Pollution Remediation Obligation	3,509,399	-	(1,333,203)	2,176,196	32,634
Total Governmental Activities	$ 4,879,527,639	$ 770,936,523	$ (296,058,673)	$ 5,354,405,489	$ 196,955,992

	Outstanding March 1, 2018 (Restated)	Issued/ Increased	Redeemed/ Decreased	Outstanding February 28, 2019	Due Within Year
Business-type Activities:					
Senior Lien Revenue Bonds	$ 1,963,280,000	$ -	$ (71,735,000)	$ 1,891,545,000	$ 72,455,000
Tax Bonds	276,095,000	-	(27,445,000)	248,650,000	28,345,000
Total Bond Principal	2,239,375,000	-	(99,180,000)	2,140,195,000	100,800,000
Unamortized Premium, Revenue Bonds	237,623,867	2,235	(20,138,883)	217,487,219	-
Unamortized Premium/(Discount), Tax Bonds	9,017,580	5,095	(1,370,747)	7,651,928	-
Accrued Interest Payable	2,829,815	98,646,133	(97,691,040)	3,784,908	3,784,908
Total Bonds Payable	2,488,846,262	98,653,463	(218,380,670)	2,369,119,055	104,584,908
Commercial Paper Payable	17,040,000	80,350,000	-	97,390,000	-
Compensatory Time Payable	1,086,014	883,414	(792,790)	1,176,638	682,451
OPEB Obligation	69,473,271	5,289,761	-	74,763,032	-
Net Pension Liability	15,698,382	19,152,642	-	34,851,024	-
Pollution Remediation Obligation	7,384,175	-	(248,921)	7,135,254	-
Total Business-type Activities	$ 2,599,528,104	$ 204,329,280	$ (219,422,381)	$ 2,584,435,003	$ 105,267,359

BONDED DEBT

Bonded debt of the County consists of various issues of General Obligation Bonds and Revenue Bonds. General Obligation Bonds are direct obligations of the County with the County's full faith and credit pledged toward the payment of this obligation. General Obligation Bonds are issued upon approval by the public at an election. Debt service is primarily paid from ad valorem taxes. Revenue Bonds are generally payable from the pledged revenue generated by the respective activity for which the bonds are issued.

Outstanding governmental bonded debt as of February 28, 2019 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2019
Road Bonds					
Refunding Series 2008A	$ 34,605,000	4.00-5.25%	2008	2020	$ 23,145,000
Refunding Series 2009A	98,880,000	2.00-5.25%	2009	2023	66,565,000
Refunding Series 2010A	84,340,000	4.00-5.00%	2010	2024	73,770,000
Refunding Series 2011A	122,565,000	1.50-5.25%	2011	2031	39,880,000
Refunding Series 2012A	66,425,000	5.00%	2012	2024	66,425,000
Refunding Series 2012B	52,815,000	2.25-4.00%	2012	2024	25,125,000
Refunding Series 2014A	195,905,000	5.00%	2014	2034	163,685,000
Refunding Series 2015A	202,680,000	2-5.00%	2015	2031	201,090,000
Refunding Series 2017A	35,580,000	4.00-5.00%	2017	2031	35,580,000
	893,795,000				695,265,000

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2019
Permanent Improvement Bonds					
Refunding Series 2009A	23,485,000	4.00-5.00%	2009	2023	3,625,000
Refunding Series 2009B	97,855,000	4.00-5.50%	2009	2027	24,820,000
Refunding Series 2010A	185,390,000	1.50-5.00%	2010	2028	173,405,000
Refunding Series 2010B	93,365,000	4.00-5.00%	2010	2024	79,100,000
Refunding Series 2011A	92,780,000	4.00-5.00%	2011	2031	18,140,000
Refunding Series 2012A	77,145,000	2.00-5.00%	2012	2028	60,750,000
Refunding Series 2012B	43,200,000	0.35-2.473%	2012	2023	29,330,000
Refunding Series 2015A	191,370,000	3.00-5.00%	2015	2040	170,205,000
Refunding Series 2015B	50,095,000	2.00-5.00%	2015	2027	24,205,000
Refunding Series 2017A	137,945,000	4.00-5.00%	2017	2043	129,445,000
GO Revenue Refunding 2002	206,772,045	5.00-5.86%	2002	2028	23,068,022
	1,199,402,045				736,093,022
Flood Control Bonds					
Refunding Series 2008A	137,095,000	4.00-5.25%	2008	2021	69,845,000
Refunding Series 2008C	158,100,000	3.00-5.125%	2008	2024	95,550,000
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	22,175,000
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
Refunding Series 2017A	168,100,000	4.00-5.00%	2017	2039	167,155,000
	710,670,000				526,170,000
Tax & Subordinate Lien Revenue Bonds					
Refunding Series 2009C	28,315,000	4.00-5.25%	2009	2023	15,875,000
Refunding Series 2012A	160,430,000	3.00-5.00%	2012	2032	160,430,000
	188,745,000				176,305,000
TOTAL	$ 2,992,612,045				$ 2,133,833,022

Per Article III, Section 52 of the Texas Constitution, the amount of applicable bonds that may be issued is limited to 25% of the assessed valuation of real property of the County. The total net debt applicable to the limit as of February 28, 2019 is approximately $830.8 million. The legal debt limit is approximately $126.5 billion (25% of real property assessed value) for the fiscal year ending February 28, 2019.

The Toll Road Project has been financed with a combination of unlimited tax and senior lien revenue bonds, subordinate lien revenue bonds and commercial paper. The proceeds from such bonds, including the interest earned, are being used to finance the construction and the related debt service.

Outstanding business-type bonded debt at February 28, 2019 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2019
Senior Lien Revenue Bonds					
Refunding Series 2007B	145,570,000	Floating	2007	2036	145,570,000
Series 2009A	215,455,000	4.00-5.00%	2009	2038	47,425,000
Series 2009C	250,000,000	5.00%	2009	2049	55,000,000
Refunding Series 2010D	35,420,000	3.00-5.00%	2010	2030	22,775,000
Refunding Series 2012B	139,500,000	Floating	2012	2021	139,500,000
Refunding Series 2012C	252,845,000	2.00-5.00%	2012	2033	229,695,000
Refunding Series 2015B	161,575,000	5.00%	2015	2036	161,575,000
Refunding Series 2016A	530,105,000	2.75-5.00%	2016	2047	530,105,000
Refunding Series 2018A	559,900,000	4.00-5.00%	2018	2048	559,900,000
	2,290,370,000				1,891,545,000
Unlimited Tax and Subordinate Lien Bonds					
Refunding Series 1997	150,395,000	5.00-5.125%	1997	2024	26,005,000
Refunding Series 2007C	321,745,000	5.00-5.25%	2007	2033	222,645,000
	472,140,000				248,650,000
TOTAL	$ 2,762,510,000				$ 2,140,195,000

Annual debt service requirements to maturity as of February 28, 2019 are as follows:

	Governmental Activities				
Fiscal year	**Principal At 2/28/2019**	**Capital Appreciation Bonds**	**Principal Value At Maturity**	**Interest**	**Total**
2020	$ 151,645,898	$ 8,086,300	$ 159,732,198	$ 110,859,624	$ 270,591,822
2021	166,850,000	-	166,850,000	94,947,635	261,797,635
2022	159,570,000	-	159,570,000	86,930,714	246,500,714
2023	169,640,000	-	169,640,000	79,105,694	248,745,694
2024	157,455,806	7,708,814	165,164,620	82,641,463	247,806,083
2025-2029	743,101,319	20,621,264	763,722,583	282,102,852	1,045,825,435
2030-2034	393,255,000	-	393,255,000	90,286,187	483,541,187
2035-2039	140,130,000	-	140,130,000	29,113,100	169,243,100
2040-2044	52,185,000	-	52,185,000	4,308,200	56,493,200
	$ 2,133,833,023	$ 36,416,378	$ 2,170,249,401	$ 860,295,469	$ 3,030,544,870

	Business-Type Activities		
Fiscal year	**Principal**	**Interest**	**Total**
2020	$ 100,800,000	$ 101,293,516	$ 202,093,516
2021	104,635,000	96,299,481	200,934,481
2022	99,330,000	91,314,119	190,644,119
2023	77,320,000	86,969,940	164,289,940
2024	80,705,000	82,978,697	163,683,697
2025-2029	418,870,000	352,916,515	771,786,515
2030-2034	508,395,000	238,688,481	747,083,481
2035-2039	362,915,000	124,612,185	487,527,185
2040-2044	181,690,000	67,711,750	249,401,750
2045-2049	202,335,000	22,011,775	224,346,775
2050	3,200,000	80,000	3,280,000
	$ 2,140,195,000	$ 1,264,876,459	$ 3,405,071,459

SIGNIFICANT DEBT COVENANTS

The Senior Lien Revenue Bonds are payable from the revenues of the Toll Road. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem tax and also are secured by a pledge of and lien on the revenues of the Toll Road, subordinate to the lien of the Senior Lien Revenue Bonds. The County has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The County also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Road equal to at least 1.25 times the debt service requirements on the Senior Lien Revenue Bonds. The revenue coverage requirement became effective with the completion of the project during fiscal year 1994. The Toll Road Project's revenue coverage ratio for fiscal year 2019 was 5.34.

B. COMMERCIAL PAPER

In addition to the outstanding bonded debt of the County, the Commissioners Court has established a general obligation commercial paper program secured by ad valorem taxes for the purpose of financing various short-term assets and temporary construction financing for certain long-term capital assets. During fiscal year 2019, the commercial paper program consisted of nine series totaling $1,650 billion, of which $400 million are payable from Toll Road revenues and $1,250 million are payable from ad valorem taxes levied. As of February 28, 2019, the County has outstanding, $254.1 million of commercial paper. Commissioners Court, by policy, limits the period allowed for a commercial paper project not to exceed three years. During the length of time the paper is outstanding, the paper may have a maturity term of 1 – 270 days.

The County enters into agreements with credit facilities to provide a line of credit that will act as assurance to the purchaser of the commercial paper that funds will be available to redeem the paper upon demand and that the County can rollover the commercial paper. For Commercial Paper Series A-1, the County has a credit agreement with State Street Bank and Trust Company, which expires August 19, 2019. For this line of credit, the County is assessed a fee of .34% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount for Series A-1 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series B, the County has a credit agreement with State Street Bank and Trust Company, which expires August 12, 2019. For this line of credit, the County is assessed a fee of .34% per annum on the daily amount of commitment. If converted to a term loan, the principal amount for Series B is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series C, the County has a credit agreement with the Bank of America, which expires January 10, 2022. For this line of credit, the County is assessed a fee of .25% per annum on the daily amount of commitment. If converted to a term loan, the principal amount for Series C is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series D, the County has a credit agreement with JPMorgan Chase Bank, National Association, which expires August 19, 2019. For this line of credit the County is assessed a fee of .33% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable quarterly in arrears, at a rate per annum equal to the bank rate, provided that the principal amount of any term loan not paid when due shall bear interest at a rate per annum equal to the lesser of (A) the default rate (fluctuating rate of per annum interest equal to the greater of (i) the base rate plus 2.00% or (ii) the federal funds rate plus 2.00%) and (B) the highest lawful rate.

For Commercial Paper Series D-2, the County has a credit agreement with State Street Bank and Trust Company, which expires November 13, 2021. For this line of credit the County is assessed a fee of .275% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D-2 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 3.0% per annum.)

For Commercial Paper Series D-3, the County has a credit agreement with Wells Fargo Bank, National Association, which expires November 12, 2021. For this line of credit the County is assessed a fee of .225% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D-3 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 3.0% per annum.)

COMMERCIAL PAPER – FLOOD CONTROL

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, 2019, there is no outstanding Series F commercial paper, nor was there any Series F commercial paper activity during the year then ended.

On November 14, 2017, Commissioners Court authorized a $64,000,000 commercial paper program designated as the Harris County Flood Control District Limited Tax Commercial Paper Notes, Series H ("Series H Notes") secured by the District ad valorem taxes, to fund certain Flood Control projects of the District. On October 9, 2018, Commissioners Court authorized to increase the program amount of the Series H Notes from $64,000,000 to $250,000,000. As of February 28, 2019, the District has outstanding $14,890,000 of commercial paper in Series H Notes.

The District has a credit agreement with JP Morgan Chase Bank which expires December 10, 2021. For this line of credit, the District is assessed a fee of .29% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount of Series H shall be due and payable in substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date.

COMMERCIAL PAPER – TOLL ROAD

In addition to the outstanding long-term debt of the Toll Road Authority ("Toll Road"), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. On January 10, 2017 the previous Commercial Paper Program Series E was terminated. Subsequently, on April 25, 2017 Commissioners Court authorized two additional commercial paper programs, for $200 million each, designated as Harris County Toll Road Senior Lien Revenue Commercial Paper Notes, Series E-1 and Series E-2 respectively ("Series E-1 and E-2 Notes") to finance capital projects of the Toll Road. As of February 28, 2019, Toll Road has outstanding, $74.3 million of commercial paper in Series E-1 and $23.1 million of commercial paper in Series E-2.

The Toll Road entered into a Revolving Reimbursement Agreement (the "Series E-1 Letter of Credit") with Landesbank Hessen-Thuringen Girozentrale, acting through its New York Branch, (together with its successors and assigns, the "Bank"), whereby the Bank supports the Series E-1 Notes by issuing a letter of credit in the original stated amount of $214,794,521 (representing an amount supporting the total aggregate principal amount of $200,000,000 plus an amount equal to 270 days' interest on such principal amount at the rate per annum of ten percent (10%) computed on the basis of a 365 day year) for the timely payment of the principal of and interest on the Series E-1 Notes at maturity. The Series E-1 Letter of Credit expires May 2, 2022. For this reimbursement agreement the County will be assessed a fee of .25% per annum on the stated amount of the letter of credit. The County also agrees to pay the Bank a non-refundable drawing fee equal to $300 for each drawing under the letter of credit (not to exceed $2,100 in the aggregate for any calendar year). If converted to a term loan, each term loan will be repaid in equal semi-annual installments (each such installment referred to as "Principal Payment"), such Principal Payments to be made on the conversion date and each date occurring every six months thereafter until paid in full.

The Toll Road entered into a Revolving Reimbursement Agreement (the "Series E-2 Letter of Credit") with Barclays Bank (the "Bank"), whereby the Bank supports the Series E-2 Notes by issuing a letter of credit in the original stated amount of $214,794,521 (representing an amount supporting the total aggregate principal amount of $200,000,000 plus an amount equal to 270 days' interest on such principal amount at the rate per annum of ten percent (10%) computed on the basis of a 365 day year) for the timely payment of the principal of and interest on the Series E-2 Notes at maturity. The Series E-2 Letter of Credit expires May 15, 2020. For this reimbursement agreement the County will be assessed a fee of .29% per annum on the stated amount of the letter of credit. The County also agrees to pay the Bank a non-refundable drawing fee equal to $250 for each drawing under the letter of credit (not to exceed $2,000 in the aggregate for any calendar year). If converted to a term loan, each term loan will be repaid in equal semi-annual installments (each such installment referred to as "Principal Payment"), such Principal Payments to be made on the conversion date and each date occurring every six months thereafter until paid in full.

DEBT SERVICE TO MATURITY - COMMERCIAL PAPER

Expected debt service requirements for the various Commercial Paper issuances are shown below. These requirements assume that as of February 28, 2019, the County had drawn down the outstanding principal balance on the lines of credit and letter of credit and subsequently executed term loans with the banks for a principal balance of $254,097,000 at the average rate for the quarter ending February 28, 2019 by series and reflect the effects of any refundings.

	Governmental Activities			Business-type Activities		
Fiscal year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2020	$ 7,804,333	$ 3,560,727	$ 11,365,060	$ -	$ -	$ -
2021	31,217,333	11,275,636	42,492,969	3,855,000	1,685,559	5,540,559
2022	31,217,333	6,528,000	37,745,333	7,710,000	2,491,695	10,201,695
2023	42,656,333	7,692,017	50,348,350	7,710,000	5,083,702	12,793,702
2024	19,777,500	4,823,513	24,601,013	18,707,000	10,195,964	28,902,964
2025-2029	24,034,168	2,589,351	26,623,519	59,408,000	17,317,020	76,725,020
	$ 156,707,000	$ 36,469,244	$ 193,176,244	$ 97,390,000	$ 36,773,940	$ 134,163,940

C. COMPONENT UNITS' LONG-TERM LIABILITIES

The County has no obligation to assume any liability for the bonds issued by any of the discretely presented component units.

The total long-term liabilities of the Harris Center for Mental Health and IDD were $8,903,001 of which $8,448,421 represents long-term liabilities of the primary government (comprised of $2,728,571 notes payable and $5,719,850 compensated absences), as of August 31, 2018 which comprises 1% of the total long-term liabilities of the County's discretely presented component units.

The total long-term liabilities of the Harris County Hospital District were $1,041,902,000 as of February 28, 2018 which comprises 99% of the total long-term liabilities of the County's discretely presented component units. A portion of this liability is bonds secured by a lien on the pledged revenues of the Harris County Hospital District and certain funds pursuant to the bond order.

The Harris County Hospital District also has defeased bonds, in the amount of $79,800,000 whereby the proceeds are held as irrevocable deposits of funds sufficient with trustees to pay the principal and interest of such bonds through their maturity. Accordingly, these trustee funds and the related defeased indebtedness are excluded from the Harris County Hospital District's balance sheet as of February 28, 2019.

D. COMPONENT UNITS' CONDUIT DEBT OBLIGATIONS

Harris County Industrial Development Corporation, Harris County Housing Finance Corporation, Harris County Health Facilities Development Corporation and Harris County Cultural Education Facilities Finance Corporation have issued bonds to provide financial assistance to private and public sector entities engaged in activities that are deemed to be in the public interest. These bonds are limited obligations of the issuing entities payable solely from the proceeds of the underlying financing agreements, and in the opinion of legal counsel, do not represent indebtedness or liability to the issuing entity, Harris County, the State of Texas, or any political subdivision; therefore, the bonds are not reported as liabilities in the accompanying financial statements. The Harris County Health Facilities Development Corporation and Harris County Cultural Education Facilities Finance Corporation have no other financial activity that would materially affect the County's financial statements, and are not required to issue separate audited financial statements, and as a result are not included in the Reporting Entity disclosure within the accompanying notes to the financial statements. A summary of the debt issued by each entity follows.

Harris County Industrial Development Corporation

The Corporation has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Corporation, nor the County, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of February 28, 2019, there were three (3) series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable as of February 28, 2019 for the bonds issued after September 1, 1996, was approximately $25,950,063.

Harris County Housing Finance Corporation

As of December 31, 2018 there were twenty-two (22) series of bonds outstanding with an aggregate principal payable of $193,119,447. These bonds have been issued by the Housing Finance Corporation to provide financing for the purpose of purchasing single family home mortgages and multifamily home projects for low and moderate income owners/residents, and will be repaid from sources defined in the various underlying financing agreements between the Housing Finance Corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation

The corporation issues bonds if there is a public benefit or public purpose that is necessary or convenient for health care, research or education. As of February 28, 2019, there were eight (8) series of bonds outstanding with an aggregate principal payable of $724,025,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the Health Facilities Development Corporation and the entities for whose benefit the bonds were issued.

Harris County Cultural Education Facilities Finance Corporation

As of February 28, 2019, there were forty-six (46) series of Bonds outstanding with an aggregate principal payable of $4,214,064,712. The bonds were issued for the purpose of defraying expansion costs, for Space Center Houston projects, Baylor College of Medicine, Memorial Hermann Healthcare System, Methodist Hospital System, Texas Medical Center projects and the Young Men's Christian Association (YMCA) of the Greater Houston Area and others. The bonds will be repaid from payments required to be made under loan agreements between the issuing entity and the aforementioned parties.

E. UNISSUED AUTHORIZED BONDS

Capital projects are funded primarily by the issuance of bonded debt. The County 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 2/28/2019	Authorized but Unissued as of 2/28/2019
Ad Valorem Tax Bonds		(amounts in millions)		
Toll Road	1983	$ 900.0	$ 884.9	$ 15.1
Civil Justice Center	1999	119.0	86.0	33.0
Parks	2007	95.0	73.5	21.5
Forensic Lab	2007	80.0	74.6	5.4
Family Law Center	2007	70.0	-	70.0
Roads	2007	190.0	176.9	13.1
Parks	2015	60.0	17.8	42.2
Animal Shelter	2015	24.0	2.5	21.5
Roads	2015	700.0	-	700.0
Flood	2015	64.0	3.5	60.5
Flood	2018	2,500.0	11.4	2,488.6
Total Ad Valorem Tax Bonds		$ 4,802.0	$ 1,331.1	$ 3,470.9

F. REFUNDING/ISSUANCE OF DEBT

On March 1, 2018, the County released $1,500,000 in FNMA note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On March 1, 2018, the County released $1,500,000 in FHLMC note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 2, 2018, the County released $2,500,000 in FHLMC note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 10, 2018, the County pledged an additional $1,000,000 in FHLMC note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 30, 2018, the County released $4,600,000 in FNMA note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 1, 2018, the County pledged an additional $3,000,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 10, 2018, the County utilized Ad Valorem tax funds to partially defease $39,700,000 in Series A-1 Commercial Paper notes as well as $28,500,000 of Series D Commercial Paper notes.

On May 16, 2018, the County released $324,000 in FNMA note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 15, 2018, the County remarketed $109,500,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012B-1 and $30,000,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012B-2. The remarketed bonds are designated as a single term bond labeled Series 2012B, in an aggregate amount of $139,500,000. The interest rate through August 14, 2019 is based on the Securities Industry and Financial Markets Association ("SIFMA") Index plus a spread, and interest is paid monthly. The interest rate from August 15, 2019 through August 14, 2021 is based on the Municipal Market Data ("MMD") Index plus a spread, with such rate determined on August 15, 2019. While the bonds bear interest on the MMD index, interest is payable on a semi-annual basis. The bonds mature in 2021. The refunding resulted in no savings or economic benefit.

On August 15, 2018, the County released $3,855,000 in FHLMC note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 15, 2018, the County pledged an additional $3,855,000 in FHLB note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On January 2, 2019, the County pledged an additional $500,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On January 4, 2019, the County pledged an additional $700,000 in FHLB note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On February 1, 2019, the County pledged an additional $500,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

G. DEFEASANCE OF DEBT

In fiscal year 2019 and in prior years, the County has defeased certain property tax bonds, revenue bonds, certificates of obligation and Toll Road revenue bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. The trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements.

As of February 28, 2019, the outstanding principal balance of these defeased bonds was as follows:

Property Tax Bonds:	Road	$ 537,395,000
	Permanent Improvement	632,115,000
Flood Control:	Flood Control	789,505,000
Certificates of Obligation:	General Obligation	30,715,000
Tax & Subordinate Lien Bonds:	Tax & Subordinate Lien	176,800,000
Toll Road Bonds:	Senior Lien Revenue Bonds	1,989,280,000
	Tax Bonds	343,920,000
Total Defeased Bonds		$ 4,499,730,000

H. 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. As of February 28, 2019, there was $47,141 in liabilities for arbitrage rebate on governmental debt and no estimated liabilities for arbitrage rebate on enterprise debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

I. INTEREST RATE SWAPS

TOLL ROAD: The County entered interest rate swaps with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2012A and Series 2012B, and the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an interest rate swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the fixed cost achievable in the cash bond market.

Terms:

Harris County Toll Road Authority	Citibank–Senior Lien Revenue Refunding Bonds, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	$199,915,000	$72,785,000	$72,785,000
Current Notional Amount:	$139,500,000	$72,785,000	$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15th day of each month	The 15th day of February, May, August and November	The 15th day of February, May, August and November
Collateral Threshold: (b)	($15,000,000)	($15,000,000)	($15,000,000)
Fair Value as of 2/28/19:	($1,297,945)	($16,633,406)	($16,633,406)
Collateral Pledged:	$0	$4,000,000 (c)	$4,555,000 (d)

(a) The notional amount for the swaps amortizes to match the outstanding bond.
(b) Collateral threshold represents the maximum exposure that the counterparty is required to accept without a pledge of collateral. The difference between the fair value and the collateral threshold must be covered by County collateral. The maximum collateral threshold ceiling is $45,000,000.
(c) The County pledged a $4 million FHLMC note with a $24,000,000 par, at 1.30% to Citibank as collateral under the terms of the swap agreements related to the Toll Road Senior Revenue Refunding Bonds, Series 2007B.
(d) The County pledged approximately $4.6 million FHLB note with a $50,000,000 par at 2.59% to JP Morgan as collateral under the terms of the swap agreements related to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B.

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies. The County's over-the-counter interest rate swaps are valued using Level 2 Inputs and the value of the swaps includes non-performance risk considerations.

Summary of GASB 53 Effectiveness Testing:

Harris County Toll Road Authority	Citibank–Senior Lien Revenue Refunding Bonds, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Derivative Instrument	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap
Hedge Type	Cash Flow Hedge	Cash Flow Hedge	Cash Flow Hedge
Method of Effectiveness Testing	Regression Historical	Consistent Critical Terms	Consistent Critical Terms
Result of Effectiveness Testing	Effective	Effective	Effective

Risks:

Credit Risk: Credit Ratings Moody's, S&P, and Fitch	A3, A+, and A+	A3, A+, and A+	Aa2, A+, and AA
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $1,297,945, which is based on a fair value calculation.	The exposure to the County is $16,633,406, which is based on a fair value calculation.	The exposure to the County is $16,633,406, which is based on a fair value calculation.

J. SUBSEQUENT DEBT RELATED ACTIVITY

On March 26, 2019, the County pledged an additional $6,000,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.
On April 1, 2019, the County pledged an additional $1,500,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 17, 2019, the County released $4,555,000 in FHLB note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 24, 2019, the County pledged an additional $500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 31, 2019, the County pledged an additional $1,000,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 1, 2019, the County pledged an additional $2,500,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 5, 2019, the County pledged an additional $1,000,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 6, 2019, the County utilized Ad Valorem tax funds to partially defease $25,000,000 in Series A-1 Commercial Paper notes as well as $51,400,000 of Series D Commercial Paper notes.

On July 1, 2019, the County pledged an additional $500,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On July 5, 2019, the County pledged an additional $1,000,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 2, 2019, the County pledged an additional $1,500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 6, 2019, the County pledged an additional $1,500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 15, 2019, the County pledged an additional $1,500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

10. 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”). Harris County Sports & Convention Corporation (HCSCC) also provides retirement, disability, and survivor benefits for all of its employees through a separate nontraditional defined benefit pension plan also in the statewide TCDRS.

Both plans are 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.

Benefits Provided.

Harris County: The County 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%.

HCSCC: The approval of plan provisions in the responsibility of the HCSCC Board, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Plan members must work eight years to be vested. Once vested, an employee has earned the right to receive a lifetime monthly retirement benefit and is eligible to retire at either age 60, after 30 years of service or when the sum of their age and years of service totals 75.

Benefits are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these credits is approved by the HCSCC Board within the actuarial constraints imposed by the TCDRS Act. As a result, benefits can be expected to be adequately financed by HCSCC'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. HCSCC's current match is 225%.

Employees Covered by Benefit Terms. At the measurement date, the following employees were covered by the benefit terms:

	County		HCSCC	
	12/31/17	12/31/18	12/31/17	12/31/18
Inactive employees or beneficiaries current receiving benefits	8,271	8,808	1	1
Inactive employees entitled but not yet receiving benefits	8,548	8,513	0	0
Active employees	17,350	18,082	6	5
Total	34,169	35,403	7	6

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 2017, and 14.5% for the months of the calendar year in 2018. HCSCC contributed using an actuarially determined rate of 15.18% of covered payroll for the months of the calendar year 2017, and 13.05% for the months of the calendar year in 2018.

The contribution rate payable by the employee members for 2018 and 2019 is 7% as adopted by Commissioners Court and as approved by the HCSCC Board. The Harris County employee contribution rate and the employer contribution rate may be changed by Commissioners Court, and the HCSCC employee and HCSCC contribution rates may be changed by the HCSCC Board, both within the options available in the TCDRS Act.

Actuarial Assumptions. For the fiscal year ending February 28, 2019, the net pension liability was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

County		HCSCC	
Inflation	2.75%	Inflation	2.75%
Salary Increases	4.9%	Salary Increases	4.9%
Investment rate of return	8.0%	Investment rate of return	8.1%

Neither plan has an 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 plans 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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for depositing members were based on the RP-2014 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-2014 Combined Mortality Table for males and females as appropriate, with adjustments with the projection scale AA. Disabled retirees were based on RP-2014 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. The actuarial assumptions used in the December 31, 2018 valuation for the County were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB No. 68. Mortality assumptions were adopted in 2017.

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 2019 information for a 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 2017. The following target asset allocation was adopted by the TCDRS board in April 2019. The geometric real rate of return is net of inflation, assumed at 1.70%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	100.00%	

<u>Discount Rate.</u> The discount rate used to measure the total pension asset 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.

<u>Changes in Net Pension Liability (Asset):</u>

Harris County

(amounts in thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2017	$ 6,128,107	$ 5,710,710	$ 417,397
Changes for the year:			
Service cost	148,122	-	148,122
Interest on total pension liability	496,916	-	496,916
Effect of economic/demographic gains or loss	(8,053)	-	(8,053)
Refund of contributions	(9,466)	(9,466)	-
Benefit payments	(279,086)	(279,086)	-
Administrative expenses	-	(4,443)	4,443
Member contributions	-	72,343	(72,343)
Net investment income	-	(107,132)	107,132
Employer contributions	-	149,663	(149,663)
Other	-	(1,386)	1,386
Balances as of December 31, 2018	$ 6,476,540	$ 5,531,203	$ 945,337

HCSCC

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2017	$ 248,228	$ 290,563	$ (42,335)
Changes for the year:			
Service cost	117,305	-	117,305
Interest on total pension liability	28,020	-	28,020
Effect of plan changes	-	-	-
Effect of economic/demographic gains or loss	(64,351)	-	(64,351)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(37,544)	(37,544)	-
Benefit payments	(2,444)	(2,444)	-
Administrative expenses	-	(306)	306
Member contributions	-	46,438	(46,438)
Net investment income	-	(4,376)	4,376
Employer contributions	-	86,440	(86,440)
Other	-	2,797	(2,797)
Balances as of December 31, 2018	$ 289,214	$ 381,568	$ (92,354)

Sensitivity Analysis. The following presents the net pension liability of the plans, calculated using the discount rate of 8.1%, as well as what the plans' net pension liability would be if they 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):

	Harris County (amounts in thousands)			HCSCC		
	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 7,314,941	$ 6,476,540	$ 5,769,963	$ 333,406	$ 289,214	$ 252,109
Fiduciary net position	5,531,203	5,531,203	5,531,203	381,568	381,568	381,568
Net pension liability (asset)	$ 1,783,738	$ 945,337	$ 238,760	$ (48,162)	$ (92,354)	$ (129,459)

Pension Plan Fiduciary Net Position. Detailed information about the pension plans' 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, 2018, the County and HCSCC recognized pension expense of $258,933,539 and $71,515 respectively. As of February 28, 2018, the County and reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Harris County (amounts in thousands) Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 27,511	$ -
Changes of assumptions	-	24,126
Net difference between projected and actual earnings	-	353,259
Contributions made subsequent to the measurement date	-	25,077
	$ 27,511	$ 402,462

	HCSCC Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 56,307	$ 23,617
Changes of assumptions	-	176
Net difference between projected and actual earnings	-	24,985
Contributions made subsequent to the measurement date	-	13,291
	$ 56,307	$ 62,069

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 as follows:

Year ended December	**Harris County**	**HCSCC**
2019	$ 140,103,319	$ 2,442
2020	56,027,412	2,441
2021	42,435,582	1,538
2022	112,650,260	2,265
2023	(1,342,088)	(4,087)
Thereafter	-	(10,361)

Payable to the Pension Plan. At February 28, 2019, the County and HCSCC reported payables of $18,360,562 and $10,506, respectively, for the outstanding amount of contributions to the pension plan.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision ("CS") is not considered a department or a component unit of the County. The net pension liability for CS at February 28, 2019 and February 28, 2018 is $28,117,023 and $12,420,509, respectively.

The deferred inflows and outflows reported for CS at February 28, 2019 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 818	$ -
Changes of assumptions	-	718
Net difference between projected and actual earnings	-	10,507
Contributions made subsequent to the measurement date	-	736
	$ 818	$ 11,961

For the measurement period ended December 31, 2018, CS recognized pension expense of $7,027,267. 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.

11. OTHER POSTEMPLOYMENT BENEFITS

THE PLAN:

Plan Description. Harris County administers an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating governmental entities. The employers in the plan are: the Harris County, Flood Control District, Toll Road, Juvenile Board, Community Supervision, and Emergency 911. 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 Commissioners Court. Harris County's defined OPEB plan is not considered a trust.

Benefits provided. The County maintains the same healthcare plans for its retirees as for its active employees, except for the "Base Healthy Actions", and "Plus Healthy Actions" plans. The County's contribution depends on age and years of service with the County at the time of retirement. Employees of Harris County are eligible to retire from the County either: (i) upon being vested with 8 years of creditable Texas County and District Retirement System (TCDRS) service and reaching age 60, or (ii) upon satisfying the "Rule of 75" (age plus vested service equals at least 75.)

As a separate Harris County requirement for eligibility for retiree healthcare benefit contributions, after March 1, 2002 an employee's age plus Harris County service must equal 75 with a minimum of 10 years of County service in order to receive 100% of the County contribution for retiree and dependent coverage.

Retirees whose age plus Harris County service equals 70 but less than 75 are required to pay 20% of the County contribution for retiree and dependent coverage. Employees who retire and whose age plus Harris County service is less than 70 are required to pay 50% of the County contribution for retiree and dependent coverage.

In addition, there are other scenarios where employees may retire using other creditable service such as time from other retirement systems, reinstated service, or disability retirement and still qualify for partial County healthcare contributions. For retirements after March 1, 2002, retirees are required to have a minimum of 4 consecutive years of County service while covered under the County's medical plan immediately prior to retirement to be eligible for County healthcare contributions.

The level of the County's contribution varies by age at retirement and years of service completed according to the following schedule:

Years of Service	0-3	4-7	8	9	10+
Less then 70 Points	0%	50%	50%	50%	50%
70-74 Points	0%	50%	80%	80%	80%
75 Points or More	0%	50%	80%	80%	100%

Changes pursuant to Commissioners Court Order dated September 26, 2006:

1. Current retirees are grandfathered under the contribution rule under which they retired;
2. Employees who were eligible to retire by February 28, 2011 are grandfathered under the rule they would have been entitled to had they retired as of that date;
3. All other employees must have age plus service of at least 80 points or be at least age 65 and have at least 10 years of creditable County service to receive 100% of the County approved contribution for retiree and dependent coverage. They must also pay a contribution for retiree healthcare prior to Medicare eligibility as determined by the Commissioners Court each year. In 2016, Commissioners Court approved this amount to be $100; and
4. Employees hired after February 28, 2007 must pay a monthly contribution for retiree healthcare as determined by the Commissioners Court each year. The Court's policy also required this group of retirees to pay the full premiums (for both retiree and dependents) for all coverages.

Retiree Healthcare Contribution Policy Update dated October 3, 2011:

Beginning March 1, 2012, retiree-paid premiums for the medical/Rx plans are greater for non-Medicare retirees than for retirees with Medicare, and a new tier was added (retiree plus child and retiree plus spouse now have separate rates).

Retiree Healthcare Contribution Policy Update dated February 14, 2017:
Effective March 1, 2017, employees hired after February 28, 2007 are entitled to retiree healthcare contributions upon reaching eligibility. They must have age plus creditable County service of at least 80 points or be at least age 65 and have at least 10 years of creditable County service to receive 100% of the County contribution for retiree and dependent coverage. They must also pay a monthly contribution of $100 for retiree healthcare.

The County has reserved the right to amend its benefits (including required contributions) at any time.

Plan membership. At March 1, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	5,154
Active plan members	15,919
	21,073

Contributions. Local Government Code Section 157.102 assigns to Commissioners Court the authority to establish and amend contribution requirements of the plan members and the participating employers.

Net OPEB Liability. The County's Net OPEB Liability was measured as of February 28, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of March 1, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Inflation rate	2.75 percent
Healthcare cost trend rate	6.00 percent for 2018; 5.90 percent for 2019; 5.80 percent for 2020; and 5.00 percent for 2028 and later years

Mortality rates were based on the RP2000 Combined Mortality, static projection by Scale AA to 2032 for males and 2034 for females. These static projections make use of the Society of Actuaries' published approximation for the use of a full generational projection. The male table was then set forward one year. These tables were used to closely approximate the mortality rates currently used by TCDRS.

Actuarial assumptions used in the March 1, 2018 valuation were based on a review of plan experience during the period March 1, 2017 to February 28, 2018.

Discount rate. GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return. (Harris County's OPEB plan is a pay as you go plan);
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the County's Total OPEB liability is based on these requirements and the following information (rounded to the nearest 25 basis points):

Reporting Date	Measurement Date	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
March 1, 2018	March 1, 2018	3.67%	3.75%
February 28, 2019	February 28, 2019	3.70%	3.75%

Schedule of Changes in Net OPEB Liability (March 1, 2018 to February 28, 2019).

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of March 1, 2018 (as restated)	$ 1,827,095,608	$ -	$ 1,827,095,608
Changes for the year:			
Service cost	79,163,297	-	79,163,297
Interest	70,459,963	-	70,459,963
Contributions – employer	-	55,160,809	(55,160,809)
Benefit payments (i)	(55,160,809)	(55,160,809)	-
Balances as of February 28, 2019	$ 1,921,558,059	$ -	$ 1,921,558,059

(i) County's estimated annual benefit cost from actuarial valuation. Reflects projected net increase in healthcare costs and estimated increase for new retirees and decrease for assumed deaths.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
Net OPEB liability (asset)	$ 2,234,027,961	$ 1,921,558,059	$ 1,668,162,020

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease 5.00% decreasing to 4.00%	Trend Rate 6.00% decreasing to 5.00%	1% Increase 7.00% decreasing to 6.00%
Net OPEB liability (asset)	$ 1,621,999,200	$ 1,921,558,059	$ 2,305,593,437

OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB. For the measurement period ending February 28, 2018, the County recognized OPEB expense of $149,623,260. The County's OPEB plan is a pay as you go plan, and therefore has no deferred inflows or outflows of resources. At February 28, 2019, the County's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Differences between projected and actual return investments	-	-
Total	$ -	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended February 28:	Deferred Outflows/Inflows of Resources
2020	$ -
2021	-
2022	-
2023	-
2024	-
Thereafter	-

The above information includes five participating employers to the agent multiple employer defined benefit postemployment healthcare plan. Two of the employers, Community Supervision ("CS") and Emergency 911 ("911") are not considered departments or component units of the County. The net OPEB liability for CS and 911 at February 28, 2019 is $14,949,053.

The deferred inflows and outflows reported for CS and 911 at February 28, 2019 were:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Differences between projected and actual return investments	-	-
Total	$ -	$ -

Additional Disclosures. Texas Local Government Code, Chapter 175 allows 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. The County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current “pay as you go” basis for a single fiscal year through an annual appropriation authorized by Commissioners Court during the County’s annual budget adoption process.

GASB Statement No. 75 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. Accordingly, 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 has made a commitment or is legally obligated to provide the OPEB benefit.

12. RISK MANAGEMENT

The County’s risk-of-loss exposures include exposure to liability and accidental loss of real and personal property as well as human resources. County operations involve a variety of high risk activities including, but not limited to, law enforcement, cash collections, construction, and maintenance activities. The Office of Human Resources & Risk Management is responsible for identifying, evaluating, and managing risk in order to reduce the exposure from liability and accidental loss of property and human resources.

The County has established the Risk Management Internal Service Fund to account for risk management activity. Risk financing activities include the purchase of property insurance, professional liability insurance, and crime and fidelity coverage. Harris County is self-insured for general liability, vehicle liability, and liability from property damage claims. Such non-litigated claims are handled on a pay-as-you-go basis and are expensed as paid; due to immateriality, no liabilities are reported in the financial statements for such claims or for an estimate of any claims which may have been incurred but have not been reported. Any liability arising from operation of motorized equipment will be considered under the Texas Tort Claims Act.

The County is self-insured for workers' compensation claims and reimburses a third-party administrator who evaluates and pays claims in accordance with State statute. The County's workers' compensation self-insurance program provides medical and indemnity payments as required by law for job-related injuries. The liability for outstanding losses includes an actuarially determined amount for incurred but not reported claims. The County has an excess coverage insurance policy that activates when a claim reaches $800,000. Interfund premiums for workers' compensation are actuarially determined by claims expense experience and payroll history. During the two preceding fiscal years, there were no claims paid that exceeded the insurance coverage. For fiscal year ended 2019, the County experienced claims in excess of insurance coverage.

Departmental billings for premiums for property insurance, professional liability insurance, and crime and fidelity policies, as well as payments to the insurance carriers, are handled through the Risk Management Fund. Payments by the County for general, vehicle, and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund unless litigation is involved. The County Attorney's Office handles any claims involving litigation.

The Risk Management Fund (Workers' Compensation) is available to pay claims and administrative costs of the programs and to fund claim reserves. During fiscal year 2019, a total of $15,096,026 was paid in benefits and administrative costs. As of February 28, 2019, claims liability, including an actuarial estimate of claims that have been incurred but not reported and accrued unpaid claims administration, totaled $19,057,179.

The following is a summary of the changes in worker's compensation claims liability for the Risk Management Fund for the fiscal years 2019 and 2018:

	2019	2018
Claims liability, beginning of fiscal year	$ 20,993,161	$ 19,695,881
Incurred claims (including IBNRs)	3,317,079	6,656,084
Claim payments	(5,253,061)	(5,358,804)
Claims liablility, end of fiscal year	$ 19,057,179	$ 20,993,161

The County currently provides medical, dental, vision, and basic life and disability insurance benefits to eligible employees and retirees. The County pays the full cost of employee coverage and 50% of the cost of dependent premiums. Employees and retirees can pay an additional premium for a higher level of benefit coverage. Non-Medicare retirees pay an additional amount for their coverage regardless of years of service. The total obligation for health insurance benefits excluding medical is limited to the monthly premiums payable during the year and is based upon the number of enrolled employees, retirees and dependents during the year. The disability insurance will pay up to 50% of an employee's salary for two years with an employee paid option to extend the benefits period to age 65 and increase the percentage to 60%. The contributions and benefits for employees and their dependents are accounted for in the Health Insurance Management internal service fund. Retirees and their dependents are accounted for in the Retiree Healthcare agency fund.

For medical insurance benefits, the County is self-insured and contracts with Aetna to administer the program. Claims liability includes an estimated amount for claims that have been incurred but not reported ("IBNRs"). The result of the process to estimate the claims liability is based on past claim experience. The County has an excess coverage insurance policy that activates when claims reach 125% of expected claims in aggregate or individual claims in excess of $850,000. There were no significant reductions in insurance coverage from the prior year. During the past three fiscal years, there were no claims paid that exceeded the insurance coverage.

The following is a summary of the changes in medical insurance liability for the Health Insurance Management Fund for the fiscal years 2019 and 2018:

	2019	2018
Claims liability, beginning of fiscal year	$ 55,214,135	$ 24,764,019
Incurred claims (including IBNRs)	265,793,256	286,016,614
Claim payments	(284,304,752)	(255,566,498)
Claims liablility, end of fiscal year	$ 36,702,639	$ 55,214,135

13. LANDFILL POSTCLOSURE CARE COST

Harris County operated three permitted and/or licensed landfills which were closed prior to October 1993 according to the rules and regulations at the time. All three sites have completed applicable post closure care requirements and are no longer owned by Harris County. A fourth site, a former unpermitted landfill, now known as Allison R. Peirce, Jr. Wetlands Nature Sanctuary, was part of an enforcement action by the County and acquired by the County to ensure that the site was appropriately remediated under TCEQ requirements. The County received Supplemental Environmental Project (SEP) funds as the primary funding of this project. The site has met the requirements of the Texas Commission on Environmental Quality's Texas Risk Reduction Program. A "No Further Action" letter has been issued by the Texas Risk Reduction Program of the Texas Commission on Environmental Quality for this site. A fifth site was acquired when Harris County Flood Control 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 Harris County Flood Control 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 with the pollution remediation obligation.

14. COMMITMENTS AND CONTINGENT LIABILITIES

POLLUTION REMEDIATION

The County is subject to numerous Federal, State and local environmental laws and regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The County recorded in the financial statements pollution remediation liabilities of $9,311,450. This includes $291,741 of Flood Control District liabilities. Additional costs, if any, are not expected to have a material effect on the financial condition of the County. The County primarily has ground water and air pollution remediation obligations. The liabilities were calculated based on historical expenditures and professional judgment. The liabilities are an estimate and are 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. There are a few potential pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable at this time. These obligations include examples, such as ground water plumes whose extent and reach of contamination is in the process of being delineated under regulatory requirements and thus corrective action has not yet been determined; obligations recently identified and/or not yet quantifiable; and a lawsuit for cost-recovery under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) where the matter is under litigation, large numbers of responsible parties have been identified, and cost have not been apportioned yet by the court. Although uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate.

LITIGATION

The County is involved in lawsuits and other claims in the ordinary course of operations. Such litigation includes lawsuits alleging personal injuries, discriminatory hiring and firing practices, claims from contractors for amounts under construction contracts, inverse condemnation claims, and various other liability claims. The outcome of most of these lawsuits and other claims are not presently determinable and the resolutions of these matters are not expected to have a material effect on the financial condition of the County. There are several civil cases that have resulted in settlements, consent decrees or are expected to have a financial impact on the County in subsequent fiscal years. Total liabilities of $20,150,000 for judgements payable have been recorded in the governmental activities of the Government-Wide financial statements.

OTHER

The County received significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any financial statements of the individual fund types included herein or on the overall financial position of the County as of February 28, 2019.

The Houston Dynamo Stadium (“BBVA Compass Stadium”) project was completed May 2012 when the stadium opened. Inter-local agreements establish the County’s obligation through Tax Increment Reinvestment Zone (“TIRZ”) Number 15 for the Dynamo Stadium Project. 85% of the increase in property tax revenues collected within the TIRZ will be paid to the TIRZ for Dynamo stadium infrastructure and as reimbursement to the City of Houston for the County’s 50% ownership interest in the stadium site. The County will have no liability for any shortfall or payment other than what is collected by the County on properties within the TIRZ.

An amended agreement between Metro and the County related to the Westpark Corridor was approved by Commissioners Court on May 7, 2013. Per this agreement the County is obligated to reimburse

Metro for certain increased project costs if incurred. The County's liability to Metro under the agreement shall not exceed the cap of $41 million and the escalation thereof. Ad valorem taxes are irrevocably pledged to the payment.

OPERATING LEASES

As of February 28, 2019, the County had several operating leases for office space. As of February 28, 2019, the County's obligation for such annual rental payments, if the annual renewal option is exercised, is as follows:

Governmental Activities	
Fiscal year	**Office Space**
2020	$ 8,210,249
2021	4,530,103
2022	2,011,395
2023	703,593
2024	463,281
2025-2041	2,036,433
	$ 17,955,054

CONSTRUCTION COMMITMENTS

The County is committed under various contracts in connection with the construction of County facilities, buildings, and roads of $228,664,445. In addition, the County has construction commitments outstanding relating to the Toll Road of approximately $561,804,917.

ENCUMBRANCES

The County 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, 2019, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$ 88,106,503	$ -	$ 41,032,516	$ 129,139,019
Nonmajor Governmental	235,420,274	17,080,538	-	252,500,812
	$ 323,526,777	$ 17,080,538	$ 41,032,516	$ 381,639,831

15. REVENUE LEASES

OPERATING LEASES

The County is the lessor in several operating leases for certain land and office space. The land leases are for various park areas and expire over the next four years. The office space is in various County owned buildings and expire over the next five to thirty-nine years. The following schedule provides an analysis of the County's investment in the property on the operating leases as of February 28, 2019:

	Carrying Value
Land	$ 7,831,443
Buildings	808,655,718
Total Carrying Value	816,487,161
Less: Accumulated Depreciation	(305,495,935)
	$ 510,991,226

The following is a schedule by years of minimum future rental receipts on non-cancelable operating leases as of February 28, 2019:

Fiscal year	Governmental Activities
2020	$ 392,612
2021	157,084
2022	72,036
2023	14,140
2024	13,035
2025-2029	49,374
2030-2034	39,104
2035-2039	34,789
2040-2044	34,789
2045-2049	34,789
2050-2054	34,789
Total minimum future rentals	$ 876,541

The total minimum future rentals amount above does not include contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to $672,649 in 2019.

DIRECT-FINANCING LEASES

The County leases certain County-owned property to others for use as office space. The County's net investment in direct financing leases is $201,300. These leases are classified as direct-financing leases and expire at various intervals over the next 38 years and are not considered a significant part of the County's operating activities in terms of revenue.

16. FUND BALANCES

The following non-major governmental funds had negative fund balance at February 28, 2019:

Port Security Program	$ 79,873	Negative due to timing differences in expenditures and billing procedures.
Harris County Redevelopment Authority	3,950,058	Negative due to timing of funds raised and expenditures incurred.

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, 2019:

Fund Balances:	General Fund	Nonmajor Governmental	Total
Nonspendable:			
Inventories	$ 2,291,397	$ -	$ 2,291,397
Prepaids	6,894,011	3,359,057	10,253,068
Advances	140,000	-	140,000
Total nonspendable	9,325,408	3,359,057	12,684,465
Restricted for:			
Debt service	246,385,114	85,799,779	332,184,893
Legislative	1,615,449	-	1,615,449
Mobility	267,754,297	-	267,754,297
Flood control	-	51,871,074	51,871,074
Sports & Convention Corporation	-	31,433,193	31,433,193
Tourism	-	15,472,415	15,472,415
District attorney administration	-	790,127	790,127
Records management	-	19,036,348	19,036,348
Forfeited funds	-	22,213,645	22,213,645
Affordable housing	-	6,099,922	6,099,922
Donations & other contributions	-	2,238,435	2,238,435
Administration of justice	-	20,310,086	20,310,086
County administration		12,326,707	12,326,707
Health and human services	-	5,441,323	5,441,323
Medical programs	-	5,601,336	5,601,336
Grant programs	-	1,119,534	1,119,534
Capital projects	16,319,166	275,316,063	291,635,229
Total restricted	532,074,026	555,069,987	1,087,144,013
Committed to:			
Community development	-	3,023,203	3,023,203
Environmental settlements	-	10,151,755	10,151,755
Other contributions	-	444,670	444,670
Capital projects	-	33,177,640	33,177,640
Total committed	-	46,797,268	46,797,268
Assigned to:			
County operations	40,139,177	-	40,139,177
Total assigned	40,139,177	-	40,139,177
Unassigned	1,287,968,217	(4,029,931)	1,283,938,286
Total fund balances	$ 1,869,506,828	$ 601,196,381	$ 2,470,703,209

Public Contingency Sub-fund

In 2007, the County established a Public Contingency sub-fund. The purpose of this fund is to assist with capital projects and unforeseen catastrophic events to be a stabilizing component for the County's total combined tax rate. The tax rate adopted in October 2018 was $0.01000.

The Public Contingency sub-fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Public Contingency's fund balance in the amount of $200,862,735 is reported as unassigned fund balance in the General Fund.

17. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs), and 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 County 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. It 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 County in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 87, *Leases* ("GASB 87"), 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 County in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), requires additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be implemented by the County in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 will be implemented by the County in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 91, *Conduit Debt Obligations* – ("GASB 91"), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented by the County in fiscal year 2022 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2019

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
GENERAL FUND - OPERATING				
Beginning Cash and Investments	$ 980,474,469	$ 980,474,469	$ 1,157,872,837	$ 177,398,368
Revenues and Transfers In:				
Taxes	1,446,806,533	1,446,806,533	1,516,416,303	69,609,770
Intergovernmental	48,263,214	48,944,064	52,112,262	3,168,198
Charges for Services	245,364,752	246,715,603	255,219,941	8,504,338
Fines and Forfeitures	18,162,283	18,162,283	16,757,239	(1,405,044)
Rentals & Parks	1,093,284	1,285,284	1,332,316	47,032
Interest	6,016,590	6,016,590	14,876,944	8,860,354
Miscellaneous	47,574,876	52,842,556	63,036,545	10,193,989
Other Transfer In	-	4,796,208	5,829,898	1,033,690
Total Revenues and Transfers In	1,813,281,532	1,825,569,121	1,925,581,448	100,012,327
Total Available Resources - General Fund - Operating	2,793,756,001	2,806,043,590	3,083,454,285	277,410,695
GENERAL FUND - HURRICANE HARVEY RECOVERY				
Interest	-	-	24,137	24,137
Other Transfer In	-	15,337,000	15,337,000	-
Total Revenues and Transfers In	-	15,337,000	15,361,137	24,137
Total Available Resources - General Fund - Hurricane Harvey	-	15,337,000	15,361,137	24,137
GENERAL FUND - PUBLIC IMPROVEMENT CONTINGENCY				
Beginning Cash and Investments	143,598,165	143,598,165	101,099,154	(42,499,011)
Revenues and Transfers In:				
Taxes	21,750,458	21,750,458	43,479,044	21,728,586
Interest	981,000	981,000	1,157,692	176,692
Miscellaneous	21,000	4,217,851	4,479,888	262,037
Other Transfer In	-	6,785,432	119,855,676	113,070,244
Total Revenues and Transfers In	22,752,458	33,734,741	168,972,300	135,237,559
Total Available Resources - General Fund - Public Imp.	166,350,623	177,332,906	270,071,454	92,738,548
GENERAL FUND - MOBILITY FUND				
Beginning Cash and Investments	303,161,832	303,161,832	285,948,942	(17,212,890)
Revenues and Transfers In:				
Interest	3,185,000	3,185,000	5,620,947	2,435,947
Miscellaneous	-	1,012,993	1,116,448	103,455
Other - Transfers In	120,000,000	135,000,000	146,541,652	11,541,652
Total Revenues and Transfers In	123,185,000	139,197,993	153,279,047	14,081,054
Total Available Resources - General Fund - Mobility Fund	426,346,832	442,359,825	439,227,989	(3,131,836)
GENERAL FUND - DEBT SERVICE				
Beginning Cash and Investments:				
HC/FC Agreement 2008A CP Refunding	22,917,479	22,917,479	26,747,219	3,829,740
HC/FC Agreement 2008C CP Refunding	6,239,737	6,239,737	7,225,056	985,319
HC/FC Agreement 2014A CP Refunding	2,519,395	2,519,395	2,911,918	392,523
HC/FC Agreement 2014B CP Refunding	2,951,975	2,951,975	3,217,592	265,617
HC/FC Agreement 2015B CP Refunding	1,225,384	1,225,384	1,405,381	179,997
HC/FC Agreement 2017A CP Refunding	8,041,844	8,041,844	7,257,123	(784,721)
Commercial Paper Series B	472,642	472,642	548,727	76,085
Commercial Paper Series C	1,384,249	1,384,249	1,542,616	158,367
Permanent Improvements Refunding Series 2008C	4,031,903	4,031,903	4,650,913	619,010
Commercial Paper Series A1	18,055,106	18,055,106	39,059,953	21,004,847
Permanent Improvement Commercial Paper Series D	20,670,589	20,670,589	28,625,508	7,954,919

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2019

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Flood Control Comm Paper Agreement	52,940	52,940	54,413	1,473
Revenue Refunding Series 2002	13,190,058	13,190,058	11,581,115	(1,608,943)
Road Refunding Series 2017A - COI	37,505	37,505	937	(36,568)
Tax & Subordinate Lien Refunding Series 2009C	6,943	6,943	6,923	(20)
Tax & Subordinate Lien Refunding Series 2012A	1,967,007	1,967,007	4,474	(1,962,533)
Permanent Improvement Refunding Series 2008B	7,796,435	7,796,435	9,015,211	1,218,776
Permanent Improvement Refunding Series 2017A - COI	127,040	127,040	1,524	(125,516)
Permanent Improvement Refunding Series 2009A	3,947,217	3,947,217	3,811,490	(135,727)
Permanent Improvement Refunding Series 2009B	2,928,997	2,928,997	3,099,382	170,385
Permanent Improvement Refunding Series 2010A	9,879,713	9,879,713	11,470,193	1,590,480
Permanent Improvement Refunding Series 2010B	12,298,538	12,298,538	14,360,252	2,061,714
Permanent Improvement Refunding Series 2011A	7,399,478	7,399,478	5,955,340	(1,444,138)
Permanent Improvement Refunding Series 2012A	4,189,714	4,189,714	4,683,737	494,023
Permanent Improvement Refunding Series 2012B	5,415,915	5,415,915	6,269,171	853,256
Permanent Improvement Refunding Series 2015A - DS	18,203,832	18,203,832	21,028,637	2,824,805
Permanent Improvement Refunding Series 2015B - COI	7,582,436	7,582,436	8,682,423	1,099,987
Permanent Improvement Refunding Series 2017A - DS	9,819,792	9,819,792	13,989,111	4,169,319
CAD/RMS Project	4,595,660	4,595,660	4,103,150	(492,510)
Hester House Operating	20	20	20	-
Hester House Construction	66,511	66,511	66,661	150
Total Beginning Cash and Investments	198,016,054	198,016,054	241,376,170	43,360,116
Revenues and Transfers In:				
HC/FC Agreement 2008A CP Refunding	26,643,046	26,643,046	30,468,581	3,825,535
HC/FC Agreement 2008C CP Refunding	7,231,773	7,231,773	4,653,304	(2,578,469)
HC/FC Agreement 2014A CP Refunding	2,903,435	2,903,435	2,819,950	(83,485)
HC/FC Agreement 2014B CP Refunding	3,315,542	3,315,542	727,138	(2,588,404)
HC/FC Agreement 2015B CP Refunding	1,404,802	1,404,802	1,364,237	(40,565)
HC/FC Agreement 2017A CP Refunding	8,978,225	8,978,225	7,389,785	(1,588,440)
Commercial Paper Series B	348,200	348,200	140,916	(207,284)
Commercial Paper Series C	1,269,771	1,269,771	1,416,764	146,993
Permanent Improvements Refunding Series 2008C	4,659,088	4,659,088	210,418	(4,448,670)
Commercial Paper Series A1	40,587,785	40,587,785	26,553,644	(14,034,141)
Permanent Improvement Commercial Paper Series D	28,929,349	28,929,349	55,149,058	26,219,709
Flood Control Comm Paper Agreement	4,700	4,700	12,496	7,796
Commercial Paper Series D2	-	76,390	176,470	100,080
Commercial Paper Series D3	-	62,500	162,576	100,076
Revenue Refunding Series 2002	13,916,000	13,916,000	13,805,814	(110,186)
Road Refunding Series 2017A - COI	-	-	25	25
Tax & Subordinate Lien Refunding Series 2009C	3,592,413	3,592,413	3,725,770	133,357
Tax & Subordinate Lien Refunding Series 2012A	7,846,300	7,846,300	7,895,463	49,163
Permanent Improvement Refunding Series 2008B	9,032,569	9,032,569	422,554	(8,610,015)
Permanent Improvement Refunding Series 2017A - COI	-	-	80	80
Permanent Improvement Refunding Series 2009A	4,589,244	4,589,244	3,698,307	(890,937)
Permanent Improvement Refunding Series 2009B	3,241,211	3,241,211	16,290,428	13,049,217
Permanent Improvement Refunding Series 2010A	11,454,167	11,454,167	11,079,816	(374,351)
Permanent Improvement Refunding Series 2010B	14,269,858	14,269,858	19,990,564	5,720,706
Permanent Improvement Refunding Series 2011A	8,472,543	8,472,543	5,505,271	(2,967,272)
Permanent Improvement Refunding Series 2012A	4,498,969	4,498,969	4,874,707	375,738
Permanent Improvement Refunding Series 2012B	6,278,909	6,278,909	6,033,983	(244,926)
Permanent Improvement Refunding Series 2015A - DS	20,975,306	20,975,306	20,275,876	(699,430)
Permanent Improvement Refunding Series 2015B - COI	8,753,063	8,753,063	4,475,390	(4,277,673)
Permanent Improvement Refunding Series 2017A - DS	10,848,285	10,848,285	7,554,055	(3,294,230)
CAD/RMS Project	53,200	53,200	43,102	(10,098)
Hester House Operating	1	1	-	(1)
Hester House Construction	750	750	1,145	395
Total Revenues and Transfers In	254,098,504	254,237,394	256,917,687	2,680,293

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2019

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Total Available Resources:				
HC/FC Agreement 2008A CP Refunding	49,560,525	49,560,525	57,215,800	7,655,275
HC/FC Agreement 2008C CP Refunding	13,471,510	13,471,510	11,878,360	(1,593,150)
HC/FC Agreement 2014A CP Refunding	5,422,830	2,903,435	2,819,950	(83,485)
HC/FC Agreement 2014B CP Refunding	6,267,517	6,267,517	3,944,730	(2,322,787)
HC/FC Agreement 2015B CP Refunding	2,630,186	2,630,186	2,769,618	139,432
HC/FC Agreement 2017A CP Refunding	17,020,069	17,020,069	14,646,908	(2,373,161)
Commercial Paper Series B	820,842	820,842	689,643	(131,199)
Commercial Paper Series C	2,654,020	2,654,020	2,959,380	305,360
Permanent Improvements Refunding Series 2008C	8,690,991	8,690,991	4,861,331	(3,829,660)
Commercial Paper Series A1	58,642,891	58,642,891	65,613,597	6,970,706
Permanent Improvement Commercial Paper Series D	49,599,938	49,599,938	83,774,566	34,174,628
Flood Control Comm Paper Agreement	57,640	57,640	66,909	9,269
Commercial Paper Series D2	-	76,390	176,470	100,080
Commercial Paper Series D3	-	62,500	162,576	100,076
Revenue Refunding Series 2002	27,106,058	27,106,058	25,386,929	(1,719,129)
Tax & Subordinate Lien Refunding Series 2009C	3,599,356	3,599,356	3,732,693	133,337
Tax & Subordinate Lien Refunding Series 2012A	9,813,307	9,813,307	7,899,937	(1,913,370)
Permanent Improvement Refunding Series 2017A - COI	127,040	127,040	1,604	(125,436)
Permanent Improvement Refunding Series 2008B	16,829,004	16,829,004	9,437,765	(7,391,239)
Permanent Improvement Refunding Series 2009A	8,536,461	8,536,461	7,509,797	(1,026,664)
Permanent Improvement Refunding Series 2009B	6,170,208	6,170,208	19,389,810	13,219,602
Permanent Improvement Refunding Series 2010A	21,333,880	21,333,880	22,550,009	1,216,129
Permanent Improvement Refunding Series 2010B	26,568,396	26,568,396	34,350,816	7,782,420
Permanent Improvement Refunding Series 2011A	15,872,021	15,872,021	11,460,611	(4,411,410)
Permanent Improvement Refunding Series 2012A	8,688,683	8,688,683	9,558,444	869,761
Permanent Improvement Refunding Series 2012B	11,694,824	11,694,824	12,303,154	608,330
Permanent Improvement Refunding Series 2015A - DS	39,179,138	39,179,138	41,304,513	2,125,375
Permanent Improvement Refunding Series 2015B - COI	16,335,499	16,335,499	13,157,813	(3,177,686)
Permanent Improvement Refunding Series 2017A - DS	20,668,077	20,668,077	21,543,166	875,089
Road Refunding Series 2017A - COI	37,505	37,505	962	(36,543)
Total Available Resources - General Fund - Debt Service	447,398,416	445,017,911	491,167,861	46,149,950
CAD/RMS Project	4,648,860	4,648,860	4,146,252	(502,608)
Hester House Operating	21	21	20	(1)
Hester House Construction	67,261	67,261	67,806	545
Total Available Resources - General Fund - Other	4,716,142	4,716,142	4,214,078	(502,064)
TOTAL GENERAL FUND				
Beginning Cash and Investments	1,625,250,520	1,625,250,520	1,786,297,103	161,046,583
Revenues and Transfers In	2,213,317,494	2,268,076,249	2,520,111,619	252,035,370
TOTAL GENERAL FUND	$ 3,838,568,014	$ 3,893,326,769	$ 4,306,408,722	$ 413,081,953

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2019

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEPARTMENTS				
Public Infrastructure	$ 787,000	$ 863,237	$ 579,839	$ 283,398
PID Shared Operations	-	28,285,721	8,042,322	20,243,399
Right of Way	5,820,000	6,268,423	5,373,941	894,482
Construction Programs Division	13,097,000	12,119,200	8,378,999	3,740,201
Appraisal District	12,500,000	13,528,659	13,528,659	-
County Judge	7,725,000	11,346,697	8,876,188	2,470,509
Commissioner Precinct 1	76,150,000	76,554,679	27,149,182	49,405,497
Commissioner Precinct 2	71,150,000	71,499,915	35,502,636	35,997,279
Commissioner Precinct 3	55,150,000	57,832,043	35,953,731	21,878,312
Commissioner Precinct 4	62,150,000	63,011,448	36,649,378	26,362,070
Tunnel and Ferries Operation	5,795,000	6,249,388	5,097,616	1,151,772
Budget Management	8,990,000	16,277,457	7,909,646	8,367,811
General Administration	1,021,436,000	848,064,378	232,450,365	615,614,013
Legislative Services	1,435,000	2,118,877	1,216,230	902,647
Public Infrastructure - Architecture & Engineering	30,097,000	31,481,472	26,615,879	4,865,593
Fire Marshal's Office	6,315,000	7,454,479	6,785,416	669,063
Institute of Forensic Science	30,836,000	31,296,123	30,266,208	1,029,915
Pollution Control Department	4,315,000	4,530,852	4,341,925	188,927
Public Health Services	24,661,000	26,351,600	26,285,288	66,312
Public Library	29,274,000	29,623,437	29,104,316	519,121
Domestic Relations	3,600,000	5,809,809	3,305,356	2,504,453
Community Services	9,592,000	11,106,724	10,376,231	730,493
Central Technology Services	58,500,000	65,192,889	55,819,191	9,373,698
Central Technology Services Repairs	-	8,596,007	8,535,379	60,628
MHMRA	20,000,000	20,000,000	20,000,000	-
FPM Repairs and Replacement	-	183,812	54,928	128,884
FPM Utilities and Leases	28,050,000	46,874,503	42,693,595	4,180,908
Facilities and Property Management	33,150,000	21,347,962	20,924,485	423,477
Constable Precinct 1	37,767,000	41,324,633	40,036,202	1,288,431
Constable Precinct 2	8,815,000	9,445,991	8,787,283	658,708
Constable Precinct 3	16,580,000	19,432,930	17,689,514	1,743,416
Constable Precinct 4	53,113,000	62,749,279	52,886,581	9,862,698
Constable Precinct 5	42,462,000	51,951,476	42,286,885	9,664,591
Constable Precinct 6	9,997,000	12,617,093	9,717,583	2,899,510
Constable Precinct 7	12,424,000	13,070,933	12,763,257	307,676
Constable Precinct 8	8,617,000	9,600,470	8,721,879	878,591
Justice of the Peace 1-1	2,106,000	2,483,577	2,167,386	316,191
Justice of the Peace 1-2	2,379,000	2,960,269	2,099,700	860,569
Justice of the Peace 2-1	1,053,000	1,193,702	1,076,980	116,722
Justice of the Peace 2-2	1,007,000	1,329,247	771,158	558,089
Justice of the Peace 3-1	1,926,000	2,351,349	1,783,501	567,848
Justice of the Peace 3-2	1,240,000	1,235,721	1,172,433	63,288
Justice of the Peace 4-1	2,924,000	4,968,401	2,814,793	2,153,608
Justice of the Peace 4-2	1,581,000	1,912,039	1,561,198	350,841
Justice of the Peace 5-1	2,265,000	2,734,451	2,265,232	469,219
Justice of the Peace 5-2	3,288,000	4,887,972	2,767,165	2,120,807
Justice of the Peace 6-1	768,000	911,851	757,612	154,239
Justice of the Peace 6-2	879,000	1,257,062	824,604	432,458
Justice of the Peace 7-1	1,213,000	2,059,353	963,383	1,095,970
Justice of the Peace 7-2	1,073,000	1,361,856	971,286	390,570
Justice of the Peace 8-1	1,356,000	1,780,123	1,228,109	552,014
Justice of the Peace 8-2	1,180,000	1,747,261	812,599	934,662
County Attorney	26,355,000	26,527,714	24,862,995	1,664,719
County Clerk	30,013,000	36,364,685	34,872,431	1,492,254
County Treasurer	1,189,000	1,338,268	1,196,998	141,270
Tax Assessor-Collector	28,613,000	32,817,560	27,327,301	5,490,259
County Sheriff	218,159,000	217,832,066	212,355,536	5,476,530
Dentention	204,645,000	221,955,340	219,835,183	2,120,157

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2019

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
Dentention Medical	66,986,000	72,620,612	72,258,587	362,025
District Attorney	82,903,000	85,399,349	82,365,375	3,033,974
District Clerk	34,455,000	38,305,790	34,732,608	3,573,182
Public Defender Pilot Program	10,786,000	11,140,117	11,060,801	79,316
Community Supervision and Correction	1,275,000	2,462,104	1,308,278	1,153,826
Pretrial Services	8,608,000	10,203,950	9,317,411	886,539
County Auditor	22,935,000	22,933,150	21,633,937	1,299,213
Purchasing Agent	8,528,000	8,671,000	8,035,760	635,240
District Courts	27,058,000	30,950,880	26,935,561	4,015,319
Court Appointed Attorney	45,000,000	54,311,875	54,311,875	-
Texas Agrilife Extension Services	750,000	1,286,575	876,965	409,610
Juvenile Probation	79,098,000	81,790,833	75,851,179	5,939,654
Triad Juvenile Probation	1,551,000	1,598,037	1,419,098	178,939
Sheriff's Civil Service	278,000	374,328	231,452	142,876
Protective Services- Children and Adults	23,968,000	27,957,222	23,433,879	4,523,343
Children's Assessment Center	5,938,000	8,784,858	7,372,928	1,411,930
1st Court of Appeals	92,000	92,000	49,403	42,597
14th Court of Appeals	92,000	92,000	49,403	42,597
County Courts	15,326,000	16,585,946	15,274,877	1,311,069
Court Appointed Attorney	3,900,000	5,100,000	5,072,988	27,012
Probate Court 1	1,417,000	1,536,018	1,413,907	122,111
Probate Court 2	1,417,000	1,623,814	1,409,083	214,731
Probate Court 3	4,416,000	4,616,000	4,583,354	32,646
Probate Court 4	1,417,000	1,470,323	1,422,313	48,010
Total General Fund By Department	2,793,756,000	2,805,979,244	1,909,614,718	896,364,526
Hurricane Harvey Recovery	-	15,337,000	783,567	14,553,433
Public Improvement Contingency	166,350,623	170,538,144	65,047,883	105,490,261
MOBILITY FUND DEPARTMENTS				
PID Shared Operations	26,920,000	34,599,626	16,195,195	18,404,431
Harris County Commissioner Pct. 1	122,000,000	129,200,000	14,825,001	114,374,999
Harris County Commissioner Pct. 2	81,400,000	82,543,816	42,377,997	40,165,819
Harris County Commissioner Pct. 3	60,800,000	65,098,246	35,609,611	29,488,635
Harris County Commissioner Pct. 4	89,400,000	93,195,901	43,932,273	49,263,628
General Administration	31,426,832	37,722,236	-	37,722,236
Public Infrastructure - Architecture & Engineering	14,400,000	-	-	-
Total Mobility Fund By Department	426,346,832	442,359,825	152,940,077	289,419,748

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2019

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEBT SERVICE				
1050 HC/FC Agreement 2008A CP Refunding	49,560,525	49,560,525	26,721,000	22,839,525
1080 HC/FC Agreement 2008C CP Refunding	13,471,510	13,471,510	7,216,000	6,255,510
10C0 HC/FC Agreement 2014A CP Refunding	5,422,830	5,422,830	2,912,000	2,510,830
10D0 HC/FC Agreement 2014B CP Refunding	6,267,517	6,267,517	3,218,000	3,049,517
10E0 HC/FC Agreement 2015B Refunding	2,630,186	2,630,186	1,403,000	1,227,186
10G0 HC/FC Agreement 2017A	17,020,069	17,020,069	7,242,000	9,778,069
1390 Commercial Paper Series B	820,842	820,842	321,885	498,957
1400 Commercial Paper Series C	2,654,020	2,654,020	1,112,564	1,541,456
1410 Permanent Improvement Refunding Series 2008C	8,690,991	8,690,991	4,861,331	3,829,660
1420 Commercial Paper Series A-1	58,642,891	58,642,891	40,214,452	18,428,439
1470 Commercial Paper Series - Flood Control	49,599,938	49,599,938	30,240,600	19,359,338
1480 Flood Control CP Agreement	57,640	57,640	-	57,640
14B0 Commercial Paper Series	-	76,390	-	76,390
14C0 Commercial Paper Series	-	62,500	-	62,500
1600 Revenue Refunding Series 2002	27,106,058	27,106,058	13,825,000	13,281,058
17H0 Road Refunding Bond Series 2015A COI	37,505	37,505	962	36,543
18A0 Tax & Subordinate Lien Refunding Series 2009C	3,599,356	3,599,356	3,588,912	10,444
18C0 Tax & Subordinate Lien Refunding Series 2012A	9,813,307	9,813,307	7,841,500	1,971,807
1910 Permanent Improvement Refunding Series 2008B	16,829,004	16,829,004	9,437,765	7,391,239
1960 Permanent Improvement Refunding Series 2009A	8,536,461	8,536,461	3,809,000	4,727,461
19A0 Permanent Improvement Refunding Series 2009B	6,170,208	6,170,208	3,089,000	3,081,208
19C0 Permanent Improvement Refunding Series 2010A	21,333,880	21,333,880	11,463,237	9,870,643
19E0 Permanent Improvement Refunding Series 2010B	26,568,396	26,568,396	14,355,000	12,213,396
19G0 Permanent Improvement Refunding Series 2011A	15,872,021	15,872,021	5,952,250	9,919,771
19I0 Permanent Improvement Refunding Series 2012A	8,688,683	8,688,683	4,451,800	4,236,883
19K0 Permanent Improvement Refunding Series 2012B	11,694,824	11,694,824	6,263,765	5,431,059
19M0 Tax Permanent Improvement Ref. Series 2015A	39,179,138	39,179,138	21,023,787	18,155,351
19P0 Permanent Improvement Refunding Series 2015B	16,335,499	16,335,499	8,675,750	7,659,749
19R0 Permanent Improvement Ref. Series 2017A	20,668,077	20,668,077	13,980,201	6,687,876
19S0 Permanent Improvement Ref. Series 2017A - COI	127,040	127,040	1,604	125,436
Total General Fund Debt Service	447,398,416	447,537,306	253,222,365	194,314,941
General Fund Subtotal	$ 3,833,851,872	$ 3,881,951,517	$ 2,381,608,610	$ 1,500,342,907
GENERAL FUND OTHER				
29A0 CAD/RMS Project	4,648,860	4,648,860	2,406,171	2,242,689
2480 Hester House Operating	21	21	-	21
2490 Hester House Construction	67,261	67,261	-	67,261
Total General Fund Other	4,716,142	4,716,142	2,406,171	2,309,971
TOTAL GENERAL FUNDS	**$ 3,838,568,014**	**$ 3,886,667,659**	**$ 2,384,014,781**	**$ 1,502,652,878**

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 28, 2019

1. 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 SOURCES	
Cash (budgetary) basis	$4,306,408,722
Beginning Cash and Investments	(1,786,297,103)
Accrued in 2018, received in 2019	(51,975,213)
Entry to eliminate transfers between funds	(129,325,127)
Accrued in 2019, to be received in 2020	61,013,455
Internal special revenue funds	139,614
Revenues and other sources on modified accrual (GAAP) basis	2,399,964,348
EXPENDITURES AND OTHER USES	
Cash (budgetary) basis	2,384,014,781
Incurred during 2018, paid in 2019	(73,428,549)
Entry to eliminate transfers between funds	(129,325,127)
Incurred during 2019, payable in 2020	83,460,691
Internal special revenue funds	928,093
Expenditures and other uses on modified accrual (GAAP) basis	2,265,649,889
Changes in Fund Balances	$ 134,314,459

2. ANALYSIS OF SIGNIFICANT EXPENDITURE VARIANCES

In five departments, the Public Improvement Contingency Sub-fund, the Mobility Sub-fund and several general fund debt service accounts, there were significant variances between the budgeted amount and actual expenditures.

Four of the departments with significant variances are the Commissioner Precincts, which have a combined positive variance of $133,643,158. The precinct budgets include capital projects for roads and bridges. These budgets are set at the beginning of the projects and roll year-to-year. Therefore, these variances are anticipated. The other department is General Administration which has a positive variance of $615,614,013 which is primarily the reserve.

The Public Improvement Contingency Sub-fund has a positive variance of $105,490,261. These funds are set aside by Commissioners Court to assist with capital projects and for use in unforeseen emergency events.

The Mobility Sub-fund has a positive variance of $289,419,748. These funds are set aside to increase general mobility within the County.

The combined positive variance for all the general fund debt service accounts was $194,314,941. The County's practice is to have a full year's worth of payments available for tax supported debt. As the tax year and budget year are not the same, there will always be a variance between the budget and actual expenditures. In these cases, the debt payment amounts are high enough to cause a significant variance, and will continue to cause significant variances in the future.

HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Amounts in thousands)

		Year Ended February 28 2019
TOTAL OPEB LIABILITY		
Service cost	$	79,163
Interest cost		70,460
Benefit payments		(55,161)
Net change in total OPEB liability		94,462
Total OPEB liability, beginning		1,827,096
Total OPEB liability, ending (a)	$	1,921,558
Covered payroll	$	1,042,892
Net OPEB liability as a % of covered payroll		184.25%

Notes to schedule

There are no assets in a qualifying trust, as defined by GASB 75, to pay related benefits.

The County implemented GASB 75 in fiscal year 2019. Information prior to fiscal year 2019 is not available, therefore, ten years of data will accumulate over time.

HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR MEASUREMENT YEARS
(Amounts in thousands)

	Year Ended December 31			
	2015	2016	2017	2018
TOTAL PENSION LIABILITY				
Service cost	$ 131,567	$ 149,334	$ 146,841	$ 148,122
Interest on total pension liability	411,525	437,989	468,982	496,916
Effect of plan changes	(28,883)	-	-	-
Effect of assumption changes or inputs	51,149	-	10,614	-
Effect of economic/demographic (gains) or losses	(7,458)	(27,493)	(6,851)	(8,053)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)
Net change in total pension liability	337,800	321,610	355,645	348,433
Total pension liability, beginning	5,113,052	5,450,852	5,772,462	6,128,107
Total pension liability, ending (a)	$ 5,450,852	$ 5,772,462	$ 6,128,107	$ 6,476,540
FIDUCIARY NET POSITION				
Employer contributions	$ 132,346	$ 136,391	$ 142,896	$ 149,663
Member contributions	66,878	68,371	71,869	72,343
Investment income net of investment expenses	(30,646)	349,499	733,526	(107,132)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)
Administrative expenses	(3,419)	(3,799)	(3,797)	(4,443)
Other	363	(7,961)	(605)	(1,386)
Net change in fiduciary net position	(54,578)	304,281	679,948	(179,507)
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762	5,710,710
Fiduciary net position, ending (b)	$ 4,726,481	$ 5,030,762	$ 5,710,710	$ 5,531,203
Net pension liability, ending = (a) - (b)	$ 724,371	$ 741,700	$ 417,397	$ 945,337
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%	85.40%
Pension covered payroll	$ 953,501	$ 974,217	$ 1,020,708	$ 1,032,142
Net pension liability as a % of covered payroll	75.97%	76.13%	40.89%	91.59%

Note: The County implemented GASB 68 in fiscal year 2016. Information prior to fiscal year 2016 is not available, ten years of data will accumulate over time.

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TWO MEASUREMENT YEARS

	Year Ended December 31		
	2016	2017	2018
TOTAL PENSION LIABILITY			
Service cost	$ 98,958	$ 97,369	$ 117,305
Interest on total pension liability	3,930	16,228	28,020
Effect of economic/demographic(gains) or losses	85	31,424	(64,351)
Effect of assumption changes or inputs	-	234	-
Benefit payments/refunds of contributions	-	-	(39,988)
Net change in total pension liability	102,973	145,255	40,986
Total pension liability, beginning	-	102,973	248,228
Total pension liability, ending (a)	$ 102,973	$ 248,228	$ 289,214
FIDUCIARY NET POSITION			
Employer contributions	$ 76,701	$ 106,623	$ 86,440
Member contributions	35,370	49,167	46,438
Investment income net of investment expenses	-	19,112	(4,376)
Benefit payments/refunds of contributions	-	-	(39,988)
Administrative expenses	-	(193)	(306)
Other	1,697	2,086	2,797
Net change in fiduciary net position	113,768	176,795	91,005
Fiduciary net position, beginning	-	113,768	290,563
Fiduciary net position, ending (b)	113,768	290,563	381,568
Net pension liability, ending = (a) - (b)	$ (10,795)	$ (42,335)	$ (92,354)
Fiduciary net position as a % of total pension liability	110.48%	117.06%	131.93%
Pension covered payroll	$ 505,279	$ 702,390	$ 663,396
Net pension liability as a % of covered payroll	-2.14%	-6.03%	-13.92%

Note: The HCSCC implemented GASB 68 in fiscal year 2016. Information prior to fiscal year 2016
is not available, ten years of data will accumulate over time.

HARRIS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS

HARRIS COUNTY

Year Ended February 28	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2010	$ 85,977,877	$ 85,977,877	$ -	$ 882,729,740	9.7%
2011	96,038,173	96,038,173	-	849,143,883	11.3%
2012	77,988,234	77,988,234	-	794,141,978	9.8%
2013	83,215,181	83,215,181	-	779,898,383	10.7%
2014	92,818,576	98,731,288	(5,912,712)	840,350,352	11.7%
2015	106,802,688	110,837,562	(4,034,874)	871,490,916	12.7%
2016	132,345,738	128,702,142	3,643,596	925,999,776	13.9%
2017	132,006,399	137,799,357	(5,792,958)	984,281,203	14.0%
2018	140,449,509	143,768,463	(3,318,954)	1,021,330,992	14.1%
2019	148,112,422	152,053,334	(3,940,912)	1,041,771,836	14.6%

HARRIS COUNTY SPORTS & CONVENTION CORPORATION

Year Ended February 28	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2016	$ 76,701	$ 77,846	$ (1,145)	$ 505,279	15.4%
2017	106,623	107,415	(792)	702,390	15.3%
2018	86,440	85,011	1,429	663,396	12.8%

(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.

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	HC: 12.9 years (based on contribution rate calculated in 12/31/2018 valuation)
	HCSCC: 0.4 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset valuation method	5-year smoothed market

HARRIS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS

Inflation	2.75%
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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: HC - Employer contributions reflect that the member contribution rate was increased to 7%. 2015: HCSCC - No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

APPENDIX C

DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED FEBRUARY 28, 2019

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

Basic Financial Statements
For the Fiscal Year Ended
February 28, 2019

Prepared By:
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County Auditor
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INDEPENDENT AUDITORS' REPORT

County Judge Lina Hidalgo
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 the Harris County Flood Control District, (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2019, 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. 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, 2019, 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 14-23, Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis – Operations and Maintenance (General) Fund, Notes to the Required Supplementary Information, the Schedule of Changes in Net OPEB Liability and Related Ratios, the Schedule of Changes in Net Pension Liability and Related Ratios, and Texas County and District Retirement System-Schedule of Employer Contributions on pages 63-68 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.

Deloitte & Touche LLP

August 23, 2019

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, 2019. 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, 2019 by $2,051,743,232, an increase of $122,249,564 from the previous year when assets exceeded liabilities by $1,929,493,668 (restated, Note 1).

- Total net position is comprised of the following:
  (1) Net investment in capital assets, of $2,043,277,760 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 $37,984,308 is restricted by constraints imposed from outside the District such as capital projects.
  (3) Unrestricted net position represent the portion available to meet ongoing obligations to citizens and creditors. Due to the implementation of GASB Statement No. 75, Accounting *and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"), the unrestricted position became a negative $29,518,836. Note 1 and Note 8 to the financial statements provides additional details on GASB 75 changes.

Fund Level

- As of February 28, 2019, the District's governmental funds reported combined fund balances of $230,982,584. This compares to the prior year combined fund balance of $254,303,855 showing a decrease of $23,321,271 during the current year. The current year total consists of combined nonspendable fund balance of $1,150,096, restricted fund balance of $177,961,414, assigned fund balance of $14,241,606, and unassigned fund balance of $37,629,468.

- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was $52,258,325. The General fund had a nonspendable fund balance of $387,251, restricted fund balance of $0, assigned fund balance of $14,241,606, and unassigned of $37,629,468.

- The fund balance in the Debt Service fund of $6,171,266 was restricted at the end of the fiscal year. This represents an increase of $1,905,535 from the prior year balance of $4,265,731.

- The Capital Projects fund at fiscal year-end had a nonspendable fund balance of $762,845 and a restricted fund balance of $171,790,148 for a total Capital Projects fund balance of $172,552,993 a decrease from $192,894,312 in the prior year.

- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2019 issued no 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 2018 tax year for the District totaled $0.00139 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 31 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 Changes in Net OPEB Liability and Related Ratios, 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 63 of this report.

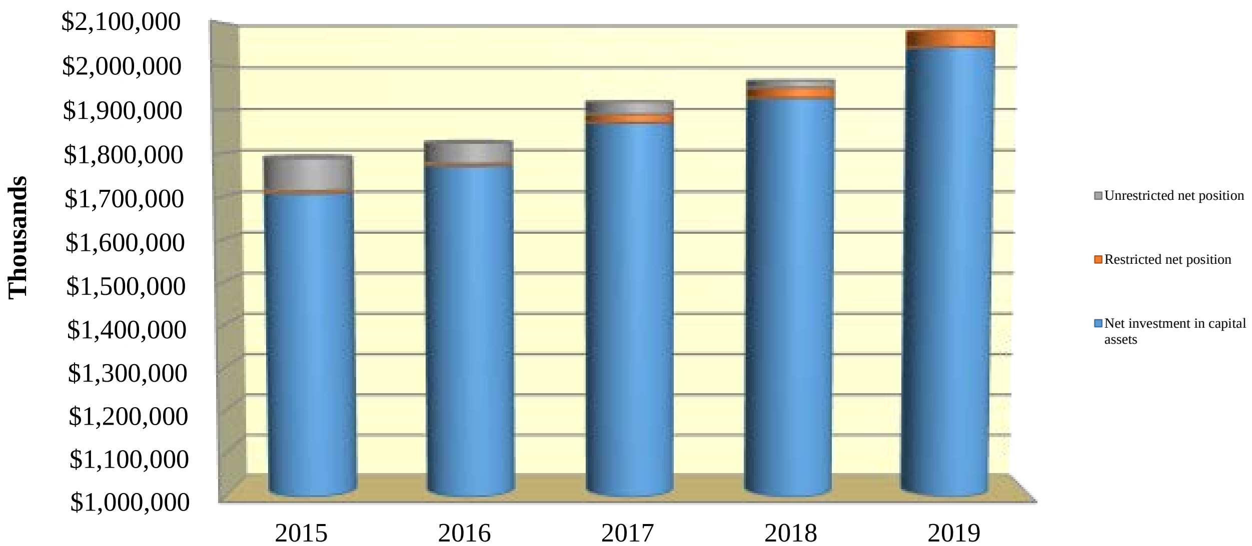
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 $2,051,743,232 for fiscal year ended 2019 and $1,929,493,668 (restated) for fiscal year ended 2018. Revenues exceeded expenses during the current year, increasing net position by $122,249,564.

Condensed Statement of Net Position
(amounts in thousands)

	Governmental Activities February 28, 2019	Governmental Activities February 28, 2018 (Restated)
Current and other assets	$ 269,389	$ 288,967
Capital assets	2,465,948	2,332,822
Total assets	2,735,337	2,621,789
Defered outflows of resources	21,941	17,680
Current and other liabilities	40,996	36,727
Long-term liabilities	664,012	671,240
Total liabilities	705,008	707,967
Deferred inflows of resources	527	2,008
Net position:		
Net investment in capital assets	2,043,278	1,926,900
Restricted	37,984	23,835
Unrestricted	(29,519)	(21,241)
Total net position	$ 2,051,743	$ 1,929,494

Change in Net Position



The largest portion of the District's current fiscal year net position, $2,043,277,760 reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, and 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 $116,378,324.

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 $37,984,308 for capital projects. Restricted net position reflect an overall increase of $14,149,216.

The remaining balance of the District's current fiscal year net deficit ($29,518,836) represents unrestricted net deficit. The unrestricted net deficit is negative due to the implementation of GASB 75.

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

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

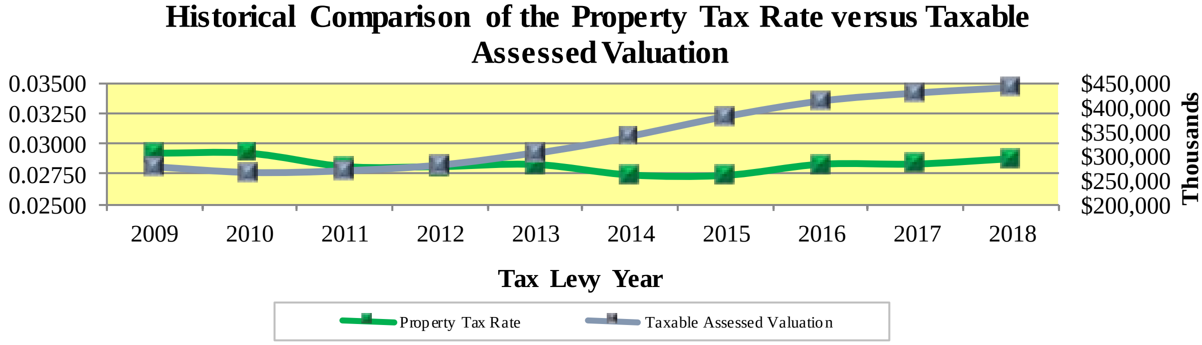
Condensed Statement of Activities
(amounts in thousands)

	Governmental Activities	
	For the Year Ended February 28, 2019	For the Year Ended February 28, 2018 (Restated)
Revenues:		
Program revenues:		
Charges for services	$ 628	$ 5,226
Operating grants and contributions	48,712	50,288
Capital grants and contributions	124,572	27,146
General revenues:		
Property taxes	126,475	115,352
Earnings on investments	4,344	2,133
Miscellaneous	2,138	2,861
Total revenues and other items	306,869	203,006
Expenses:		
Flood control	160,792	166,456
Tax administration	668	646
Interest on long-term debt	23,160	25,479
Total expenses and other items	184,620	192,581
Change in net position	122,249	10,425
Net position - beginning, as restated	1,929,494	1,919,069
Net position - ending	$ 2,051,743	$ 1,929,494

Revenues

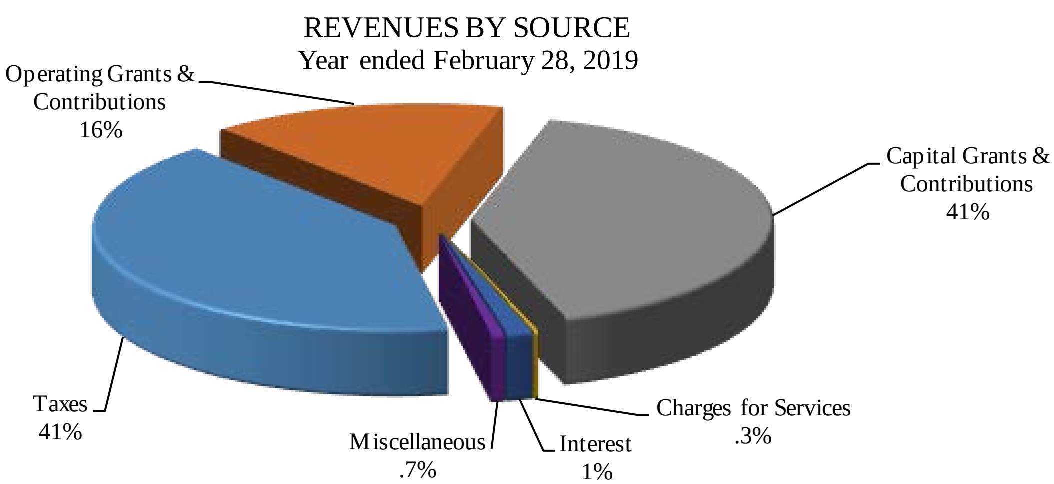
For fiscal year ended February 28, 2019, revenues from governmental activities totaled $306,869,556.

Property taxes of $126,475,079 were the District's second largest revenue source and comprised of 41% of total revenues. The tax rate was $.02877 per $100 of assessed value for fiscal year 2019, increasing from $.02831 per $100 of assessed value for fiscal year 2018. The taxable assessed value increased in fiscal year 2019 to $438,911,302,000 from $427,612,922,000 in fiscal year 2018.



Program revenues are derived from the program itself and reduce the cost of the function to the District. Total program revenues were $173,912,074 or 57% of total revenues. A major portion of program revenues are capital grants and contributions of $124,571,717 (41%) and represent receipts/contributions primarily from the Army Corps of Engineers (Corps) and U.S. Department of Homeland Security. This category is primarily due to contributions from the work done on the Brays Bayou, Hurricane Harvey grants, and other projects related to flood mitigation. Another portion of program revenues also consists of operating grants and contributions of $48,712,000 (16%), associated with contributions by Harris County, which decreased $1,576,403 from the prior year. Another portion of program revenues is charges for services of $628,357 less than 1% of total revenues, which are primarily from impact fees on development.

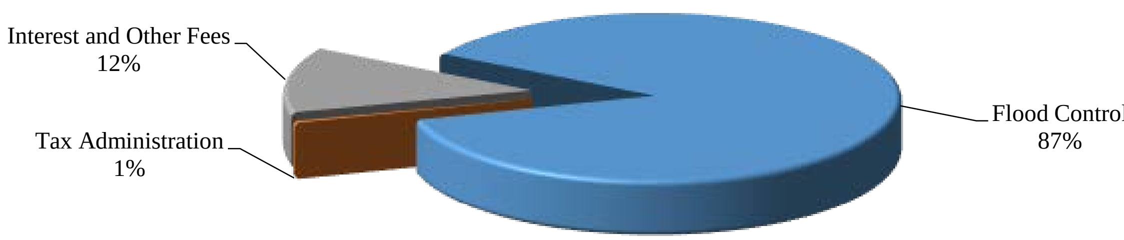
General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed previously), unrestricted investment or interest earnings of $4,344,551 (1% of total revenues) and miscellaneous income of $2,137,852 (less than 1% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.



Expenses

For fiscal year ended February 28, 2019, expenses for governmental activities totaled $184,619,992, compared to $154,540,143 in the prior fiscal year. Flood control administration of $160,791,532 is the District's largest function with 87% of total expenses. This was an increase of $32,376,999 from the prior year due to an increase in costs related to more Flood Control projects with the new bond and grant funding. Interest and other fees make up the second largest category of expenses with $23,160,268 or 12% 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 $668,192 (1% of total expenses) and has increased from $646,185 last year.

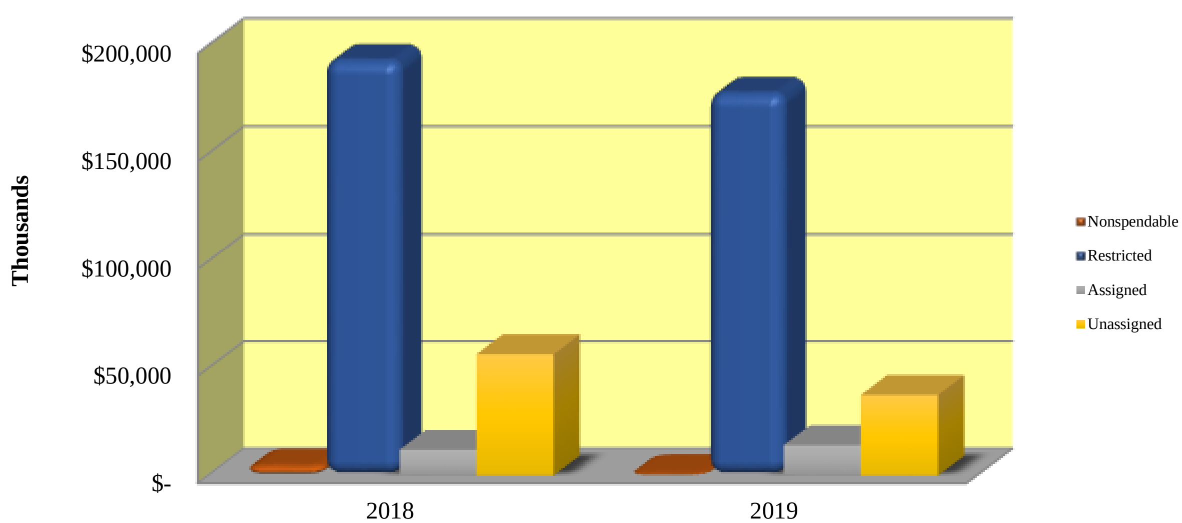
EXPENSES BY FUNCTION
Year ended February 28, 2019



FINANCIAL ANALYSIS OF MAJOR FUNDS

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

Governmental Fund Balances



At February 28, 2019, the District's governmental funds reported combined fund balances of $230,982,584, of which $1,150,096 is nonspendable, $6,171,266 is restricted for debt service, and $171,790,148 is restricted for capital projects, and $14,241,606 is assigned for encumbrances and petty cash. The remainder, $37,629,468 is available to meet the District's current and future needs. The District's combined fund balances decreased $23,321,271 from last year. 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 $4,885,487 from last year. This was a result of normal operations of the District and a $60 million transfer out to the Capital Projects Fund.

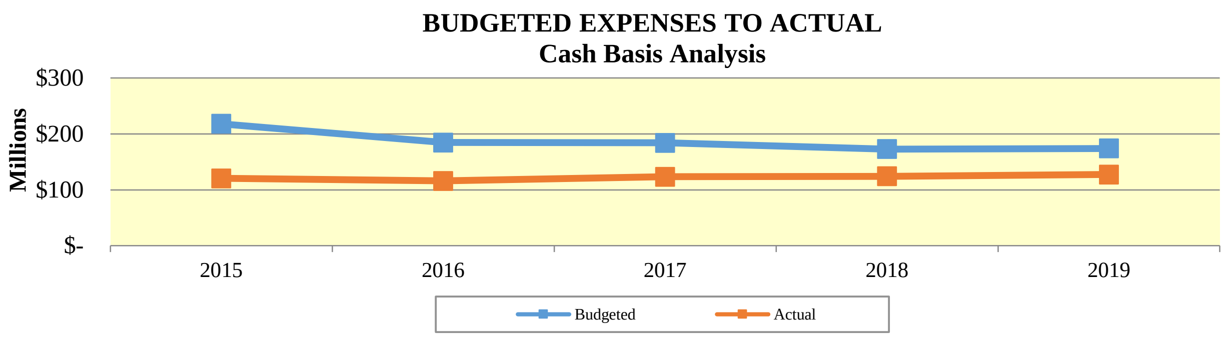
The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a $31,627,788 increase in assets and liabilities over the previous fiscal year.

Fund balance in the Debt Service fund increased by $1,905,535. At February 28, 2019, this fund reported revenues of $54,747,020. The majority of these revenues were from intergovernmental sources.

The fund balance in the Capital Projects fund decreased by $20,341,319 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 $8,330,655. 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 $46,615,170. 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 $54,945,825, 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, 2019, amounted to $2,465,947,874. 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, 2019	Balance February 28, 2018
Governmental Activities:		
Land	$ 1,714,449,213	$ 1,649,735,796
Construction in Progress	202,380,264	153,230,802
Intangible Assets - water rights	2,400,000	2,400,000
Land Improvements	641,531	641,531
Buildings	12,158,223	12,158,223
Equipment	10,997,290	12,132,213
Flood Control Projects	1,014,819,744	962,719,711
	2,957,846,265	2,793,018,276
Less Accumulated Depreciation	(491,898,391)	(460,196,191)
Totals	$ 2,465,947,874	$ 2,332,822,085

LONG-TERM LIABILITIES

At February 28, 2019, the District had total long-term liabilities outstanding of $664,012,399. 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 (.13%) and the amount of bonded debt per capita ($126,000) as useful indicators of the District's debt position; this information is shown in the statistical section of this report.

	Balance February 28, 2019	Balance February 28, 2018 Restated
Governmental Activities:		
Bonds Payable	$ 576,127,887	$ 609,103,468
Commercial Paper Payable	14,890,000	-
Compensatory Time Payable	511,578	443,205
OPEB Obligations	54,087,036	53,214,237
Net Pension Liability	18,104,157	8,119,751
Pollution Remediation Obligations	291,741	359,809
Totals	$ 664,012,399	$ 671,240,470

See Note 7 and Note 8 to the financial statements for further information on the County's Net Pension Liability and Other Post-Employment Benefit obligation.

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2018 was 4.4%. This is a decrease from the prior year rate of 5.0%. The state unemployment rate for calendar year 2018 was 3.5%. The number of people employed with the District increased by 26 to 316 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, 2019

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	$ 86,588,536
Investments	122,272,213
Receivables:	
Taxes, net	7,083,077
Accounts, net	9,241,766
Accrued interest	44,464
Other	34,198,187
Prepaids and other assets	3,836,513
Restricted cash and cash equivalents	6,124,519
Capital assets:	
Land and construction in progress	1,916,829,477
Intangible assets	2,400,000
Other capital assets, net of depreciation	546,718,397
Total assets	2,735,337,149
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings	14,229,746
Pension contributions after measurement date	484,032
Difference in projected and actual earnings on pension assets	6,765,276
Changes in pension assumptions	462,031
Total deferred outflows of resources	21,941,085
LIABILITIES	
Vouchers payable	19,573,269
Accrued payroll	2,288,783
Retainage payable	7,902,523
Due to other units	13,136
Unearned revenue	781,703
Accrued interest	10,436,332
Long-term liabilities:	
Due within one year:	
Bonds payable	28,025,000
Compensated absences	296,773
Due in more than one year:	
Bonds payable	548,102,887
Commercial paper payable	14,890,000
Compensated absences	214,805
OPEB obligation	54,087,036
Net pension liability	18,104,157
Pollution remediation obligation	291,741
Total liabilities	705,008,145
DEFERRED INFLOWS OF RESOURCES	
Difference in expected and actual pension experience	526,857
Total deferred inflows of resources	526,857
NET POSITION	
Net investment in capital assets	2,043,277,760
Restricted for capital projects	37,984,308
Unrestricted	(29,518,836)
Total net position	$ 2,051,743,232

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, 2019

		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	$ 160,791,532	$ 628,357	$ 48,712,000	$ 124,571,717	$ 13,120,542
Tax administration	668,192	-	-	-	(668,192)
Interest on long-term debt	23,160,268	-	-	-	(23,160,268)
Total governmental activities	$ 184,619,992	$ 628,357	$ 48,712,000	$ 124,571,717	(10,707,918)
	General revenues:				
	Taxes:				
	Property taxes levied for general purposes				120,380,045
	Property taxes levied for debt service				6,095,034
	Earnings on investments				4,344,551
	Miscellaneous				2,137,852
	Total general revenues and other items				132,957,482
	Change in net position				122,249,564
	Net position - beginning (Restated, Note 1)				1,929,493,668
	Net position - ending				$ 2,051,743,232

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2019

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2019
ASSETS					
Cash and investments:					
Cash and cash equivalents	$ 16,716,968	$ -	$ -	$ 69,871,568	$ 86,588,536
Investments	16,943,504	-	-	105,328,709	122,272,213
Receivables:					
Taxes, net	6,736,241	-	346,836	-	7,083,077
Accounts, net	3,271	5,238,495	-	4,000,000	9,241,766
Accrued interest	6,161	-	-	38,303	44,464
Other	330,580	33,865,275	1,611	721	34,198,187
Due from other funds	20,915,055	4,919,040	-	20,002,712	45,836,807
Prepaids and other assets	387,251	2,686,417	-	762,845	3,836,513
Restricted cash and cash equivalents	-	-	6,124,519	-	6,124,519
Total assets	$ 62,039,031	$ 46,709,227	$ 6,472,966	$ 200,004,858	$ 315,226,082
LIABILITIES					
Vouchers payable	$ 3,618,258	$ 2,658,479	$ 116,805	$ 13,179,727	$ 19,573,269
Accrued payroll	2,288,783	-	-	-	2,288,783
Retainage payable	198,147	3,132,981	-	4,571,395	7,902,523
Due to other funds	-	40,917,767	-	4,919,040	45,836,807
Due to other units	13,136	-	-	-	13,136
Unearned revenue	-	-	-	781,703	781,703
Total liabilities	6,118,324	46,709,227	116,805	23,451,865	76,396,221
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	3,659,111	-	184,895	-	3,844,006
Unavailable revenue-other	3,271	-	-	4,000,000	4,003,271
Total deferred inflows of resources	3,662,382	-	184,895	4,000,000	7,847,277
FUND BALANCES					
Nonspendable	387,251	-	-	762,845	1,150,096
Restricted	-	-	6,171,266	171,790,148	177,961,414
Assigned	14,241,606	-	-	-	14,241,606
Unassigned	37,629,468	-	-	-	37,629,468
Total fund balances	52,258,325	-	6,171,266	172,552,993	230,982,584
Total liabilities, deferred inflows of resources, and fund balances	$ 62,039,031	$ 46,709,227	$ 6,472,966	$ 200,004,858	$ 315,226,082

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, 2019

Total fund balances for governmental funds		$ 230,982,584
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	$ 1,714,449,213	
Construction in progress	202,380,264	
Intangible assets - water rights	2,400,000	
Land improvements, net of $384,347 accumulated depreciation	257,184	
Flood control projects, net of $477,826,297 accumulated depreciation	536,993,447	
Buildings, net of $4,430,156 accumulated depreciation	7,728,067	
Equipment and vehicles, net of $9,257,591 accumulated depreciation	1,739,699	
Total capital assets		2,465,947,874
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, 2019 were:		
Deferred charge on refundings	14,229,746	
Deferred outflow - Pension contributions after measurement date	484,032	
Deferred outflow - Difference in actual and projected earnings on pension assets	6,765,276	
Deferred outflow - Changes in pension assumptions	462,031	
Accrued interest on bonds	(10,436,332)	
Bonds payable	(576,127,887)	
Commercial paper payable	(14,890,000)	
Compensated absences	(511,578)	
OPEB obligation	(54,087,036)	
Net pension liability	(18,104,157)	
Pollution remediation obligation	(291,741)	
Deferred inflow - Difference in actual and projected earnings on pension assets	(526,857)	
		(653,034,503)
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.		7,847,277
Total net position of governmental activities		$ 2,051,743,232

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, 2019

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2019
REVENUES					
Taxes	$ 117,149,013	$ -	$ 6,001,972	$ -	$ 123,150,985
Intergovernmental	397,820	47,394,029	48,712,000	48,922,881	145,426,730
Lease revenue	73,568	-	-	-	73,568
Earnings on investments	793,404	-	28,966	3,522,181	4,344,551
Miscellaneous	850,430	201,338	4,082	1,636,791	2,692,641
Total revenues	119,264,235	47,595,367	54,747,020	54,081,853	275,688,475
EXPENDITURES					
Current operating:					
Flood control administration	64,751,044	9,557,439	-	50,283,042	124,591,525
Tax administration	668,192	-	-	-	668,192
Capital outlay	478,640	48,465,744	-	86,591,780	135,536,164
Debt service:					
Principal retirement	-	-	27,650,000	-	27,650,000
Bond issuance fees	9,500	-	-	151,400	160,900
Interest and fiscal charges	-	-	25,292,965	-	25,292,965
Total expenditures	65,907,376	58,023,183	52,942,965	137,026,222	313,899,746
Excess (deficiency) of revenues over (under) expenditures	53,356,859	(10,427,816)	1,804,055	(82,944,369)	(38,211,271)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,384,396	13,511,773	101,480	60,699,561	76,697,210
Transfers out	(60,626,742)	(3,083,957)	-	(12,986,511)	(76,697,210)
Commercial paper issued	-	-	-	14,890,000	14,890,000
Total other financing sources (uses)	(58,242,346)	10,427,816	101,480	62,603,050	14,890,000
Net changes in fund balances	(4,885,487)	-	1,905,535	(20,341,319)	(23,321,271)
Fund balances, beginning	57,143,812	-	4,265,731	192,894,312	254,303,855
Fund balances, ending	$ 52,258,325	$ -	$ 6,171,266	$ 172,552,993	$ 230,982,584

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, 2019

Net change in fund balances - total governmental funds		$ (23,321,271)
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 $135,536,164 exceeded depreciation of $33,205,990 in the current period.		102,330,174
Capital asset donations		31,089,307
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Debt issued:		
Commercial paper	$ (14,890,000)	
Debt Repayments:		
To paying agent for bond principal	27,650,000	
Net adjustment		12,760,000
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	(68,373)	
OPEB obligation	(872,799)	
Net pension liability	(1,897,442)	
Pollution remediation obligation	68,068	
Amortization of debt premium	5,325,580	
Amortization of advanced refunding difference	(2,344,875)	
Accrued interest on bonds	(848,008)	
Combined adjustment		(637,849)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		324,462
The net effect of disposals of capital assets is to decrease net position.		(295,259)
Change in net position of governmental activities		$ 122,249,564

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, 2019

		Total Agency
ASSETS		
Cash and cash equivalents	$	170,645
Investments		175,835
Accrued interest receivable		64
Total assets	$	346,544
LIABILITIES		
Vouchers payable	$	831
Accrued payroll and compensated absences		253
Held for others		345,460
Total liabilities	$	346,544

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. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 improves accounting and financial reporting for postemployment benefits other than pensions. The required changes due to the implementation of GASB 75 are reflected in the District’s financial statements and notes to those statements. GASB 75 required restatement of beginning net position as follows:

	Governmental Activities
March 1, 2018, as previously reported	1,967,534,910
Adjustment for GASB 75	(38,041,242)
March 1, 2018, as restated	1,929,493,668

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. Implementation of GASB 85 did not have an impact on the District’s financial statements or disclosures.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”), addresses certain issues that have been raised with respect to Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*. Specifically, this statement 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. Implementation of GASB 86 did not have an impact on the District's financial statements or disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* ("GASB 89"), This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Implementation of GASB 89 did not have an impact on the District's financial statements or disclosures.

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

Government-wide Statements

Government wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District 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 General Obligation 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. <u>DEPOSITS AND INVESTMENTS</u>

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 report 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, when applicable, 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, when applicable, 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 five-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 and easements. 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 capital assets are stated at their estimated acquisition value on the date donated.

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 is 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

In accordance with GAAP, fund balances are 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 general fund is the only fund to report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in the governmental funds other than the general fund, if expenditures incurred for specific purposes exceeds the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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, 2019, the balance per various financial institutions was $97,397,272. 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, 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, and 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 Federal Depository Insurance Corporation (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 Federal Depository Insurance Corporation or its successor; and secured by

obligations as stated in Item 1 of this section. In addition to the County's authority to invest funds in certificates of deposit and shares certificates as stated above, an investment in certificates of deposit, made in accordance with the following conditions is an authorized investment under the 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 as stated on Item 1 of this section. 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. 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.

11. Interest-bearing banking deposits that are guaranteed or insured by: (A) the Federal Deposit Insurance Corporation or its successor; or (B) the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits other than described above if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in Texas that the County selects from a list of its governing body or designated investment committee adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in Texas that the County selects; (B) the broker or depository institution selected as described above arranges for the deposit of the funds in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the deposits is insured by the United States or an instrumentality of the United States; and (D) the County appoints as the custodian of the bank deposits issued for the County's account: (i) the depository institution selected as described above; (ii) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

<u>Summary of Cash and Investments</u>
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, 2019.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 86,588,536	$ 170,645	$ 86,759,181
Restricted Cash and Cash Equivalents	6,124,519	-	6,124,519
Investments	122,272,213	175,835	122,448,048
Total Cash & Investments	$ 214,985,268	$ 346,480	$ 215,331,748

The table below indicates the fair value and maturity value of the District's investments as of February 28, 2019, 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
Commercial Paper					
MUFG - Disc. Commercial Paper	$ 49,669,472	21.02%	$ 50,000,000	0.053	A-1/P-1
TMCC - Disc. Commercial Paper	30,891,591	13.08%	31,000,000	0.018	A-1+/P-1
TCCI - Disc. Commercial Paper	9,897,600	4.19%	10,000,000	0.017	A-1/P-1
XON - Disc. Commercial Paper	19,856,355	8.41%	20,000,000	0.023	A-1+/P-1
Total Commercial Paper	110,315,018		111,000,000		
Local Governments					
Indiana Bond Bk Rev	1,000,190	0.43%	1,000,000	0.002	AA+
Univ of Kentucky Gnrl Rcpts	3,186,363	1.35%	3,190,000	0.001	AA/Aa2
New York City NY Revenue Bonds	2,965,980	1.25%	3,000,000	0.027	AAA/Aa1
Total Local Governments	7,152,533		7,190,000		
US Treasury Note					
US Treasury Note	4,975,600	2.10%	5,000,000	0.019	AA+/Aaa
Total US Treasury Notes	4,975,600		5,000,000		
Money Market Funds					
Lone Star Investment Pool	1,199,882	0.50%	1,199,882	N/A	AAAm
Logic Investment Pool	10,282,982	4.35%	10,282,982	N/A	N/A
TX Class Pool	5,036,030	2.13%	5,036,030	N/A	N/A
Fidelity Instl Treasury	85,214,698	36.06%	85,214,698	N/A	N/A
Flood - DDA Cadence	12,133,416	5.13%	12,133,416	N/A	N/A
Total Money Market Funds	113,867,008		113,867,008		
Total Investments	236,310,159	100.00%	$ 237,057,008		
Outstanding items	(20,978,411)				
Total Cash & Investments	$ 215,331,748				

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy 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 inputs are significant unobservable inputs.

As of February 28, 2019, the County has recurring fair value measurements for Commercial Paper, Local Governments and U.S. Treasury Notes totaling $122,443,151 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 $113,867,008 have been valued at amortized cost and fair value in accordance with GASB No. 79. For investment pools shown, Texas Class have been valued at fair value using Level 2 inputs. Lone Star, Logic and Fidelity Investment Pools are valued at amortized cost, which approximates fair value. Flood Control's Demand Deposit Account at Cadence preserves cash and liquidity and is considered cash value.

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, shall be 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, 2019, 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, 2019, 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
Flood Control/Special Revenue	Matching	5	$123,190,000	0.41
Money Market Mutual Funds	N/A	N/A	113,867,008	N/A
			$ 237,057,008	

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 2018 tax year, per $100 of taxable valuation:

	Maintenance and Operations (General)	Debt Service	Total
Flood Control District	$0.02738	$0.00139	$0.02877

Property tax receivables of $7,083,077 as of February 28, 2019 are reported net of an allowance for uncollectible taxes of $7,933,290.

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, 2019, the District abated property taxes totaling $19,366 under this program, which includes four entities—three of which were regional distribution facilities, which were granted exemptions that converted to property tax abatements ranging $863 to $15,334 and totaling $18,132. One of the entities were manufacturing facilities, which were also granted an exemption that converted to a property tax abatement of $1,234.

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, 2019 are as follows:

	Receivable: General Fund	Special Revenue Grants	Capital Projects	Total
Payable:				
Special Revenue Grants	$ 20,915,055	$ -	$ 20,002,712	$ 40,917,767
Capital Projects	-	4,919,040	-	4,919,040
TOTAL	$ 20,915,055	$ 4,919,040	$ 20,002,712	$ 45,836,807

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, 2019:

	Transfers In: General Fund	Special Revenue Grants	Debt Service	Capital Projects	Total
Transfers Out:					
General Fund	$ -	$ 570,815	$ 55,927	$ 60,000,000	$ 60,626,742
Special Revenue Grants	2,384,396	-	-	699,561	3,083,957
Capital Projects	-	12,940,958	45,553	-	12,986,511
TOTAL	$ 2,384,396	$ 13,511,773	$ 101,480	$ 60,699,561	$ 76,697,210

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, 2018	Additions	Deletions	Transfers	Balance February 28, 2019
Governmental Activities:					
Land	$ 1,649,735,796	$ 59,088,501	$ (187,491)	$ 5,812,407	$ 1,714,449,213
Construction in progress	153,230,802	100,355,466	(78,996)	(51,127,008)	202,380,264
Intangible Assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	1,805,366,598	159,443,967	(266,487)	(45,314,601)	1,919,229,477
Land improvements	641,531	-	-	-	641,531
Buildings	12,158,223	-	-	-	12,158,223
Equipment	12,132,213	396,072	(1,530,995)	-	10,997,290
Flood control projects	962,719,711	-	-	52,100,033	1,014,819,744
	987,651,678	396,072	(1,530,995)	52,100,033	1,038,616,788
Less accumulated depreciation for:					
Land Improvements	(352,533)	(31,814)	-	-	(384,347)
Buildings	(4,183,511)	(246,645)	-	-	(4,430,156)
Equipment	(9,763,480)	(997,901)	1,503,790	-	(9,257,591)
Flood control projects	(445,896,667)	(31,929,630)	-	-	(477,826,297)
	(460,196,191)	(33,205,990)	1,503,790	-	(491,898,391)
Total capital assets being depreciated, net	527,455,487	(32,809,918)	(27,205)	52,100,033	546,718,397
Governmental activities capital assets, net	$ 2,332,822,085	$ 126,634,049	$ (293,692)	$ 6,785,432	$ 2,465,947,874

Depreciation expense was charged to the Flood Control Administration function of the District for $33,205,990. The transfer amount of $6,785,432 does not net to zero due to a land transfer between Harris County and Flood Control.

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 2018-2019 were as follows:

	Outstanding March 1, 2018 (Restated)	Increase	Decrease	Outstanding February 28, 2019	Amount Due Within One Year
Governmental Activities:					
Refunding Series 2008A	$ 91,760,000	$ -	$ (21,915,000)	$ 69,845,000	$ 28,025,000
Refunding Series 2008C	97,880,000	-	(2,330,000)	95,550,000	-
Refunding Series 2014	36,200,000	-	-	36,200,000	-
Refunding Series 2014A	58,225,000	-	-	58,225,000	-
Refunding Series 2014B	24,635,000	-	(2,460,000)	22,175,000	-
Refunding Series 2015A	46,875,000	-	-	46,875,000	-
Refunding Series 2015B	30,145,000	-	-	30,145,000	-
Refunding Series 2017A	168,100,000	-	(945,000)	167,155,000	-
Total Bonds Payable - Principal	553,820,000	-	(27,650,000)	526,170,000	28,025,000
Unamortized Premium, Series 2008A	2,688,264	-	(1,158,015)	1,530,249	-
Unamortized Discount, Series 2008C	(352,852)	56,489	-	(296,363)	-
Unamortized Premium, Series 2014	5,484,267	-	(582,311)	4,901,956	-
Unamortized Premium, Series 2014A	8,840,654	-	(890,177)	7,950,477	-
Unamortized Premium, Series 2015A	5,940,461	-	(492,353)	5,448,108	-
Unamortized Premium, Series 2015B	4,207,398	-	(325,288)	3,882,110	-
Unamortized Premium, Series 2017A	28,475,276	-	(1,933,926)	26,541,350	
Total Bonds Payable	609,103,468	56,489	(33,032,070)	576,127,887	28,025,000
Commercial Paper Payable	-	14,890,000	-	14,890,000	-
Compensatory Time Payable	443,205	391,913	(323,540)	511,578	296,773
OPEB Obligation	53,214,237	872,799	-	54,087,036	-
Net Pension Liability	8,119,751	9,984,406	-	18,104,157	-
Pollution Remediation Obligation	359,809	-	(68,068)	291,741	-
TOTAL	$ 671,240,470	$ 26,195,607	$ (33,423,678)	$ 664,012,399	$ 28,321,773

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. <u>OUTSTANDING BONDED DEBT</u>

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	February 28, 2019
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	69,845,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2024	95,550,000
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	22,175,000
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
Refunding Series 2017A	168,100,000	4.00-5.00	2017	2039	167,155,000
TOTAL	$ 710,670,000				$ 526,170,000

Per Article III, Section 52 of the Texas Constitution, the amount of applicable bonds that may be issued is limited to 25% of the assessed valuation of real property of the County. The total net debt applicable to the limit as of February 28, 2019 is approximately $830.8 million. The legal debt limit is approximately $126.5 billion (25% of real property assessed value) for the fiscal year ended February 28, 2019.

B. DEBT SERVICE REQUIREMENTS

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

Fiscal year	Principal	Interest	Total
2020	$ 28,025,000	$ 25,057,221	$ 53,082,221
2021	29,495,000	23,585,908	53,080,908
2022	30,980,000	22,104,058	53,084,058
2023	32,605,000	20,477,608	53,082,608
2024	34,235,000	18,847,358	53,082,358
2025-2029	191,460,000	68,684,608	260,144,608
2030-2034	99,070,000	27,234,650	126,304,650
2035-2039	65,550,000	11,151,850	76,701,850
2040-2044	14,750,000	590,000	15,340,000
	$ 526,170,000	$ 217,733,261	$ 743,903,261

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 2/28/2019	Authorized but Unissued as of 2/28/2019
Ad Valorem Tax Bonds		(amounts in millions)		
Flood	2015	$ 64.0	$ (3.5)	$ 60.5
Flood	2018	$ 2,500.0	$ (11.4)	$ 2,488.6
Total Ad Valorem Tax Bonds		$ 2,564.0	$ (14.9)	$ 2,549.1

D. REFUNDING/ISSUANCE OF DEBT

The District did not issue any bonded 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, 2019, there is no outstanding Series F commercial paper, nor was there any Series F commercial paper activity during the year then ended.

On November 14, 2017, Commissioners Court authorized a $64,000,000 commercial paper program designated as the Harris County Flood Control District Limited Tax Commercial Paper Notes, Series H ("Series H Notes") secured by the District ad valorem taxes, to fund certain Flood Control projects of the District. On October 9, 2018, Commissioners Court authorized to increase the program amount of the Series H Notes from $64,000,000 to $250,000,000. As of February 28, 2019, the District has outstanding $14,890,000 of commercial paper in Series H Notes.

The District has a credit agreement with JP Morgan Chase Bank which expires December 10, 2021. For this line of credit, the District is assessed a fee of .29% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount of Series H shall be due and payable in substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date.

DEBT SERVICE TO MATURITY-COMMERCIAL PAPER

The following is the expected debt service requirements for the various Commercial Paper issuance. These requirements assume that as of February 28, 2019, the District had drawn down the outstanding principal balance on the lines of credit and letter of credit and subsequently executed term loans with the banks for a principal balance of $14,890,000 at the average rate for the quarter ending February 28, 2019 by series and reflect the effects of any refundings.

	Flood Control		
Fiscal year	**Principal**	**Interest**	**Total**
2023	11,167,500	1,368,148	12,535,648
2024	3,722,500	47,178	3,769,678
	$ 14,890,000	$ 1,415,326	$ 16,305,326

F. SUBSEQUENT BOND ISSUANCES

The District did not issue any debt subsequent to year end as of the date of this report.

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 2019. As of February 28, 2019 there were no estimated liabilities for arbitrage rebate on the Flood Control District 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 1.92%.

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:

	12/31/17	12/31/18
Inactive employees or beneficiaries current receiving benefits	8,271	8,808
Inactive employees entitled but not yet receiving benefits	8,548	8,513
Active employees	17,350	18,082
Total	34,169	35,403

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 14.0% of covered payroll for the months of the calendar year in 2017, and 14.5% for the months of the calendar year in 2018.

The contribution rate payable by the employee members for 2018 and 2019 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, 2019, the net pension liability was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	4.9%
Investment rate of return	8.0%

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

The annual salary increase 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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for depositing members were based on the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments. Service retirees, beneficiaries, and non-depositing members were based on RP-2014 Healthy Annuitant Mortality Table for males and females as appropriate.

The actuarial cost method was Entry Age Normal, as required by GASB No. 68. The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB No. 68.

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 2019 information for a 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 2017. The following target asset allocation was adopted by the TCDRS board in April 2019. The geometric real rate of return is net of inflation, assumed at 1.70%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities - Developed	10.00%	5.40%
International Equities - Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%
	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):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2017	$ 6,128,107	$ 5,710,710	$ 417,397
Changes for the year:			
Service cost	148,122	-	148,122
Interest on total pension liability	496,916	-	496,916
Effect of plan changes	-	-	-
Effect of economic/demographic gains or loss	(8,053)	-	(8,053)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(9,466)	(9,466)	-
Benefit payments	(279,086)	(279,086)	-
Administrative expenses	-	(4,443)	4,443
Member contributions	-	72,343	(72,343)
Net investment income	-	(107,132)	107,132
Employer contributions	-	149,663	(149,663)
Other	-	(1,386)	1,386
Balances as of December 31, 2018	$ 6,476,540	$ 5,531,203	$ 945,337

The net pension liability allocated to Flood Control at February 28, 2018 and February 28, 2019 was $8,119,751 and $18,104,157, respectively and employer contributions for the same period were $2,779,823 and $2,866,196, 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):

Harris County:	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 7,314,941	$ 6,476,540	$ 5,769,963
Fiduciary net position	5,531,203	5,531,203	5,531,203
Net pension liability	$ 1,783,738	$ 945,337	$ 238,760

Flood Control:	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 140,088	$ 124,032	$ 110,500
Fiduciary net position	105,928	105,928	105,928
Net pension liability	$ 34,160	$ 18,104	$ 4,572

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, 2018, the County recognized pension expense of $258,933,539. Flood Control's share was $4,958,839 as of February 28, 2019; the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 27,511	$ -
Changes of assumptions	-	24,126
Net difference between projected and actual earnings	-	353,259
Contributions made subsequent to the measurement date	-	25,077
	$ 27,511	$ 402,462

Flood Control's Allocation:	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 527	$ -
Changes of assumptions	-	462
Net difference between projected and actual earnings	-	6,765
Contributions made subsequent to the measurement date	-	484
	$ 527	$ 7,711

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:

County			Flood Control		
Year ended December 31:			Year ended December 31:		
2019		140,103,319	2019		2,754,914
2020		56,027,412	2020		1,004,272
2021		42,435,582	2021		755,543
2022		112,650,260	2022		2,240,301
2023		(1,342,088)	2023		(54,580)
Total	$	349,874,485	**Total**	$	6,700,450

Payable to the Pension Plan
At February 28, 2019, the County reported a payable of $18,360,562 for the outstanding amount of contributions to the pension plan.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision (“CS”) is not considered a department or a component unit of the County. The net pension liability for CS at February 28, 2018 and February 28, 2019 is $12,420,509 and $28,117,023, respectively.

The deferred inflows and outflows reported for CS at February 28, 2019 were (amounts in thousands):

	Deferred Inflows of Resources		Deferred Outflows of Resources	
Differences between expected and actual experience	$	818	$	-
Changes of assumptions		-		718
Net difference between projected and actual earnings		-		10,507
Contributions made subsequent to the measurement date		-		736
	$	818	$	11,961

For the measurement period ended December 31, 2018, CS recognized pension expense of $7,027,267.

The Required Supplementary Information (“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 POSTEMPLOYMENT BENEFITS

THE PLAN:

Plan Description
Harris County administers an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating governmental entities. The employers in the plan are: the Harris County, Flood Control District, Toll Road, Juvenile Board, Community Supervision, and Emergency 911. 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 Commissioners Court. Harris County’s defined OPEB plan is not considered a trust.

<u>Benefits Provided</u>
The County maintains the same healthcare plans for its retirees as for its active employees, except for the “Base Healthy Actions”, and “Plus Healthy Actions” plans. The County's contribution depends on age and years of service with the County at the time of retirement. Employees of Harris County are eligible to retire from the County either: (i) upon being vested with 8 years of creditable Texas County and District Retirement System (TCDRS) service and reaching age 60, or (ii) upon satisfying the "Rule of 75" (age plus vested service equals at least 75.)

As a separate Harris County requirement for eligibility for retiree healthcare benefit contributions, after March 1, 2002 an employee's age plus Harris County service must equal 75 with a minimum of 10 years of County service in order to receive 100% of the County contribution for retiree and dependent coverage.

Retirees whose age plus Harris County service equals 70 but less than 75 are required to pay 20% of the County contribution for retiree and dependent coverage. Employees who retire and whose age plus Harris County service is less than 70 are required to pay 50% of the County contribution for retiree and dependent coverage.

In addition, there are other scenarios where employees may retire using other creditable service such as time from other retirement systems, reinstated service, or disability retirement and still qualify for partial County healthcare contributions. For retirements after March 1, 2002, retirees are required to have a minimum of 4 consecutive years of County service while covered under the County's medical plan immediately prior to retirement to be eligible for County healthcare contributions.

The level of the County's contribution varies by age at retirement and years of service completed according to the following schedule:

Years of Service	0-3	4-7	8	9	10+
Less then 70 Points	0%	50%	50%	50%	50%
70-74 Points	0%	50%	80%	80%	80%
75 Points or More	0%	50%	80%	80%	100%

Changes pursuant to Commissioners Court Order dated September 26, 2006:
1. Current retirees are grandfathered under the contribution rule under which they retired;
2. Employees who were eligible to retire by February 28, 2011 are grandfathered under the rule they would have been entitled to had they retired as of that date;
3. All other employees must have age plus service of at least 80 points or be at least age 65 and have at least 10 years of creditable County service to receive 100% of the County approved contribution for retiree and dependent coverage. They must also pay a contribution for retiree healthcare prior to Medicare eligibility as determined by the Commissioners Court each year. In 2016, Commissioners Court approved this amount to be $100; and
4. Employees hired after February 28, 2007 must pay a monthly contribution for retiree healthcare as determined by the Commissioners Court each year. The Court's policy also required this group of retirees to pay the full premiums (for both retiree and dependents) for all coverages.

Retiree Healthcare Contribution Policy Update dated October 3, 2011:
Beginning March 1, 2012, retiree-paid premiums for the medical/Rx plans are greater for non-Medicare retirees than for retirees with Medicare, and a new tier was added (retiree plus child and retiree plus spouse

now have separate rates).

Retiree Healthcare Contribution Policy Update dated February 14, 2017:
Effective March 1, 2017, employees hired after February 28, 2007 are entitled to retiree healthcare contributions upon reaching eligibility. They must have age plus creditable County service of at least 80 points or be at least age 65 and have at least 10 years of creditable County service to receive 100% of the County contribution for retiree and dependent coverage. They must also pay a monthly contribution of $100 for retiree healthcare.

The County has reserved the right to amend its benefits (including required contributions) at any time.

Plan Membership
At March 1, 2018, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	5,154
Active plan members	15,919
	21,073

Contributions
Local Government Code Section 157.102 assigns to Commissioners Court the authority to establish and amend contribution requirements of the plan members and the participating employers.

Net OPEB Liability
The County's Net OPEB Liability was measured as of February 28, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of March 1, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions
The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00 percent
Inflation rate	2.75 percent
Healthcare cost trend rate	6.00 percent for 2018; 5.90 percent for 2019; 5.80 percent for 2020; and 5.00 percent for 2028 and later years

Pre-retirement mortality rates were based on the RP2000 Combined Mortality, static projection by Scale AA to 2032 for males and 2034 for females. These static projections make use of the Society of Actuaries' published approximation for the use of a full generational projection. The male table was then set forward one year. These tables were used to closely approximate the mortality rates currently used by TCDRS.

Actuarial assumptions used in the March 1, 2018 valuation were based on a review of plan experience during the period March 1, 2017 to February 28, 2018.

Discount Rate
GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return. (Harris County's OPEB plan is a pay as you go plan);
b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the County's Total OPEB liability is based on these requirements and the following information (rounded to the nearest 25 basis points):

Reporting Date	Measurement Date	Municipal Bond 20-Year High Grade Rate Index	Discount Rate
March 1, 2018	March 1, 2018	3.67%	3.75%
February 28, 2019	February 28, 2019	3.70%	3.75%

Schedule of Changes in Net OPEB Liability (March 1, 2018 to February 28, 2019)

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of March 1, 2018 (as restated)	$ 1,827,095,608	$ -	$ 1,827,095,608
Changes for the year:			
Service cost	79,163,297	-	79,163,297
Interest	70,459,963	-	70,459,963
Contributions – employer	-	55,160,809	(55,160,809)
Benefit payments (i)	(55,160,809)	(55,160,809)	-
Balances as of February 28, 2019	$ 1,921,558,059	$ -	$ 1,921,558,059

(i) County's estimated annual benefit cost from actuarial valuation. Reflects projected net increase in healthcare costs and estimated increase for new retirees and decrease for assumed deaths.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

Harris County:	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
Net OPEB liability (asset)	$ 2,234,027,961	$ 1,921,558,059	$ 1,668,162,020

Flood Control:	1% Decrease 2.75%	Discount Rate 3.75%	1% Increase 4.75%
Net OPEB liability (asset)	$ 61,487,744	$ 54,087,036	$ 47,986,346

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.00 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.00 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

Harris County:	1% Decrease 5.00% decreasing to 4.00%	Trend Rate 6.00% decreasing to 5.00%	1% Increase 7.00% decreasing to 6.00%
Net OPEB liability (asset)	$ 1,621,999,200	$ 1,921,558,059	$ 2,305,593,437

Flood Control:	1% Decrease 5.00% decreasing to 4.00%	Trend Rate 6.00% decreasing to 5.00%	1% Increase 7.00% decreasing to 6.00%
Net OPEB liability (asset)	$ 47,212,332	$ 54,087,036	$ 62,620,512

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The County's OPEB plan is a pay as you go plan, and therefore has no deferred inflows or outflows of resources. At February 28, 2019, the County's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Differences between projected and actual return investments	-	-
Total	$ -	$ -

Flood Control's Allocation:	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Differences between projected and actual return investments	-	-
Total	$ -	$ -

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Harris County		**Flood Control**	
Year ended February 28:		Year ended February 28:	
2020	-	2020	-
2021	-	2021	-
2022	-	2022	-
2023	-	2023	-
2024	-	2024	-
Thereafter	-	Thereafter	-

The above information includes five participating employers to the agent multiple employer defined benefit postemployment healthcare plan. Two of the employers, Community Supervision (“CS”) and Emergency 911 (“911”) are not considered departments or component units of the County. The net OPEB liability for CS and 911 at February 28, 2019 is $14,949,053.

The deferred inflows and outflows reported for CS and 911 at February 28, 2019 were:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions or other inputs	-	-
Differences between projected and actual return investme	-	-
Total	$ -	$ -

Additional Disclosures

Texas Local Government Code, Chapter 175 allows 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. The County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current “pay as you go” basis for a single fiscal year through an annual appropriation authorized by Commissioners Court during the County’s annual budget adoption process.

GASB Statement No. 75 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. Accordingly, 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 has made a commitment or is legally obligated to provide the OPEB benefit.

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 $291,741. 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, 2019. 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 $71,447,659.

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, 2019, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Assigned	Total
General Fund	$ -	$ 14,241,006	$ 14,241,006
Capital Projects	71,447,659	-	71,447,659
	$ 71,447,659	$ 14,241,006	$ 85,688,665

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 over 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, 2019:

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total
Fund Balances:				
Nonspendable:				
Prepaids	$ 387,251	$ -	$ 762,845	$ 1,150,096
Total nonspendable	387,251	-	762,845	1,150,096
Restricted for:				
Debt service	-	6,171,266	-	6,171,266
Capital projects	-	-	171,790,148	171,790,148
Total restricted	-	6,171,266	171,790,148	177,961,414
Assigned to:				
Flood control maintenance	14,241,006	-	-	14,241,006
Imprest cash	600	-	-	600
Total assigned	14,241,606	-	-	14,241,606
Unassigned	37,629,468	-	-	37,629,468
Total fund balances	$ 52,258,325	$ 6,171,266	$ 172,552,993	$ 230,982,584

12. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs), and 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 County 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. It 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 County in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 87, *Leases* ("GASB 87"), 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 County in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), requires additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be implemented by the County in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 will be implemented by the County in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No. 91, *Conduit Debt Obligations* – ("GASB 91"), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented by the County in fiscal year 2022 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, 2019

	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	$ 60,192,503	$ 60,192,503	$ 60,268,447	$ 75,944
Contract Tax Bond 2017A - COI	-	-	5,925	5,925
Total Beginning Cash and Investments	60,192,503	60,192,503	60,274,372	81,869
Interest:				
Flood Control General	424,000	424,000	667,093	243,093
Taxes:				
Flood Control General	113,041,711	113,041,711	117,744,797	4,703,086
Intergovernmental:				
Flood Control General	8,400	8,400	397,820	389,420
Miscellaneous:				
Flood Control General	256,000	256,000	861,223	605,223
Other - Lease Revenue:				
Flood Control General	150,000	150,000	73,568	(76,432)
Other Transfers In:				
Flood Control General	-	-	2,384,396	2,384,396
Total Other Transfers In	-	-	2,384,396	2,384,396
Total Revenue and Other Financing Sources	174,072,614	174,072,614	182,403,269	8,330,655
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	173,918,715	173,918,715	127,451,517	46,467,198
Contract Tax Bond 2017A - COI	153,899	153,899	5,927	147,972
Total Expenditures and Other Financing Uses	174,072,614	174,072,614	127,457,444	46,615,170
Net changes in Fund Balance	$ -	$ -	$ 54,945,825	$ 54,945,825

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	$	182,403,269
Beginning Cash and Investments		(60,274,372)
Accrued in 2018, received in 2019		(3,466,518)
Accrued in 2019, to be received in 2020		2,986,252
Revenues and other financing sources on modified accrual (GAAP) basis		121,648,631
EXPENDITURES AND OTHER FINANCING USES		
Cash (budgetary) basis		127,457,444
Incurred during 2018, paid in 2019		(3,820,413)
Incurred during 2019, payable in 2020		2,897,087
Expenditures and other financing uses on modified accrual (GAAP) basis		126,534,118
Net changes in Fund Balance	$	(4,885,487)

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
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(Amounts in thousands)

	Year Ended February 28 2019
TOTAL OPEB LIABILITY	
Service cost	$ 79,163
Interest cost	70,460
Benefit payments	(55,161)
Net change in total OPEB liability	94,462
Total OPEB liability, beginning	1,827,096
Total OPEB liability, ending (a)	$ 1,921,558
Covered payroll	$ 1,042,892
Net OPEB liability as a % of covered payroll	184.25%

Notes to schedule

There are no assets in a qualifying trust, as defined by GASB 75, to pay related benefits.

The County implemented GASB 75 in fiscal year 2019. Information prior to fiscal year 2019 is not available; therefore, ten years of data will accumulate over time.

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 FOUR MEASUREMENT YEARS
(Amounts in thousands)

	Year Ended December 31			
	2015	2016	2017	2018
TOTAL PENSION LIABILITY				
Service cost	$ 131,567	$ 149,334	$ 146,841	$ 148,122
Interest on total pension liability	411,525	437,989	468,982	496,916
Effect of plan changes	(28,883)	-	-	-
Effect of assumption changes or inputs	51,149	-	10,614	-
Effect of economic/demographic gains	(7,458)	(27,493)	(6,851)	(8,053)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)
Net change in total pension liability	$ 337,800	$ 321,610	$ 355,645	$ 348,433
Total pension liability, beginning	5,113,052	5,450,852	5,772,462	6,128,107
Total pension liability, ending (a)	$ 5,450,852	$ 5,772,462	$ 6,128,107	$ 6,476,540
FIDUCIARY NET POSITION				
Employer contributions	$ 132,346	$ 136,391	$ 142,896	$ 149,663
Member contributions	66,878	68,371	71,870	72,343
Investment income net of investment expenses	(30,646)	349,499	733,526	(107,132)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)
Administrative expenses	(3,419)	(3,799)	(3,798)	(4,443)
Other	363	(7,961)	(605)	(1,386)
Net change in fiduciary net position	(54,578)	304,281	679,948	(179,507)
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762	5,710,710
Fiduciary net position, ending (b)	$ 4,726,481	$ 5,030,762	$ 5,710,710	$ 5,531,203
Net pension liability, ending = (a) - (b)	$ 724,371	$ 741,700	$ 417,397	$ 945,337
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%	85.40%
Pension covered payroll	$ 953,501	$ 974,217	$ 1,020,708	$ 1,032,142
Net pension liability as a % of covered payroll	75.97%	76.13%	40.89%	91.59%
Flood Control's Portion:				
Allocated share	2.076%	2.040%	1.945%	1.915%
Employer contribution	$ 2,747,256	$ 2,782,569	$ 2,779,823	$ 2,866,196
Net pension liability, ending	$ 15,036,618	$ 15,131,730	$ 8,119,751	$ 18,104,157

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
LAST TEN FISCAL YEARS

Year Ending February 28	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2010	$ 85,977,877	$ 85,977,877	$ -	$ 882,729,740	9.7%
2011	96,038,173	96,038,173	-	849,143,883	11.3%
2012	77,988,234	77,988,234	-	794,141,978	9.8%
2013	83,215,181	83,215,181	-	779,898,383	10.7%
2014	92,818,576	98,731,288	(5,912,712)	840,350,352	11.7%
2015	106,802,688	110,837,562	(4,034,874)	871,490,916	12.7%
2016	132,345,738	128,702,142	3,643,596	925,999,776	13.9%
2017	132,006,399	137,799,357	(5,792,958)	984,281,203	14.0%
2018	140,449,509	143,768,463	(3,318,954)	1,021,330,992	14.1%
2019	148,112,422	152,053,334	(3,940,912)	1,041,771,836	14.6%

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 February 28	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	$ 2,277,899	$ 2,344,491	$ (66,592)	$ 18,443,909	12.7%
2016	2,747,256	2,674,488	72,768	19,242,445	13.9%
2017	2,782,569	2,795,179	(12,610)	19,965,571	14.0%
2018	2,779,823	2,778,820	1,003	19,741,368	14.1%
2019	2,866,196	2,914,324	(48,128)	19,966,143	14.6%

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

(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.

<u>Notes to Schedule</u>

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.

<u>Methods and assumptions used to determine contribution rates</u>:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12.9 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%

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
LAST TEN FISCAL YEARS

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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the member contribution rate was increased was increased to 7%. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

APPENDIX D

FORM OF LEGAL OPINION

Harris County Flood Control District
Limited Tax Commercial Paper Notes, Series H

(Final Opinion)

Ladies and Gentlemen:

We have acted as Note Counsel for the Harris County Flood Control District (the "District") in connection with its Limited Tax Commercial Paper Notes, Series H in the aggregate principal amount at any one time not to exceed $500,000,000 (the "Notes") issued pursuant to an order adopted by the Commissioners Court of Harris County (the "County") on behalf of the District, on November 14, 2017, as amended and restated on October 9, 2018 and as further amended and restated on December 3, 2019 (the "Order").

In such connection, we have reviewed the Order, the Credit Agreement, the First Amendment to Credit Agreement, and the Second Amendment to Credit Agreement (collectively, the "Credit Agreement") between the District and JPMorgan Chase Bank, National Association, certificates of the District, including the Tax Certificate of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Credit Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Order and the Credit Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute valid and binding obligations of the District.

2. The Notes are secured by and payable from (i) as to principal, from the proceeds of the sale of the Notes from time to time issued by the District, (ii) as to principal, from Term Loans under the Credit Agreement, (iii) as to both principal and interest, from proceeds from the sale of refunding bonds or other obligations issued by the District, (iv) as to both principal and interest, from amounts held in the Note Payment Account and (iv) as to both principal and interest, from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property located within the District.

3. Interest on the Notes, when issued in accordance with the Order, the Tax Certificate and any supplemental tax certificates executed by the County in connection with the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP