



HARRIS COUNTY TOLL ROAD AUTHORITY
ENTERPRISE FUND
A DEPARTMENT OF HARRIS COUNTY, TX

BASIC FINANCIAL STATEMENTS



For The Fiscal Year Ended
September 30, 2023

Michael Post, CPA, CIA
Harris County Auditor

***Toll Road Authority
Enterprise Fund of Harris
County, Texas***

*Financial Statements As of September 30, 2023
and for the Year Then Ended and Independent
Auditor's Report*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

TABLE OF CONTENTS

	<u>PAGE</u>	
<u>Introductory Section</u>		
County Auditor’s Letter of Transmittal.....	1	
<u>Financial Section</u>		
Independent Auditor’s Report.....	5	
Management’s Discussion and Analysis.....	8	
Basic Financial Statements:		
Statement of Net Position.....	15	
Statement of Revenues, Expenses and Changes in Net Position.....	16	
Statement of Cash Flows.....	17	
Notes to the Financial Statements		
1. Summary of Significant Accounting Policies.....	18	
2. Deposits and Investments.....	22	
3. Other Receivables and Unearned Revenue.....	28	
4. Notes Receivable.....	29	
5. Prepaids and Other Assets.....	29	
6. Capital Assets.....	30	
7. Long-term Liabilities.....	30	
8. Retirement Plan.....	35	
9. Other Postemployment Benefits.....	40	
10. Commitment and Contingencies.....	46	
11. Transfers and Advances.....	46	
12. Recent Accounting Pronouncements.....	46	
13. Restatement.....	47	
Required Supplementary Information		
Schedule of Changes in Total OPEB Liability and Related Ratios.....	48	
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios.....	49	
Texas County and District Retirement System - Schedule of Employer Contributions.....	50	
 <u>Other Information</u>		
Traffic Count Table.....	1	53
Toll Rate Schedule.....	2	54
Toll Road Selected Financial Information.....	3	55
Historical Toll Road Project Operating Results and Coverages.....	4	56
Revenues by Toll Road Components/Segments.....	5	57
Toll Road Bonds Debt Service Requirements.....	6	58
Outstanding Toll Road Tax Bonds.....	7	59
Outstanding Toll Road Senior Lien Revenue Bonds.....	8	60

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

	<u>Schedule</u>	<u>PAGE</u>
Operating Funds Budget for County’s Fiscal Year 2023-2024	9	61
County Capital Projects Funds Budgeting	10	62
County Tax Debt Outstanding	11	63
Schedule of County-wide Ad Valorem Tax Debt Service Requirements	12	64
County-wide Authorized but Unissued Bonds	13	65
Full-Time Equivalent County Employees by Function/Program - Last Ten Fiscal Years	14	66

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MICHAEL POST, CPA, CIA
HARRIS COUNTY AUDITOR

March 28, 2024

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

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended September 30, 2023. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office. The Basic Financial Statements of the Authority includes all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities. The information and data contained herein are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP").

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

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended September 30, 2023, are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first component of the financial section of this report. Management's discussion and analysis (MD&A), which immediately follows the independent auditor's report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

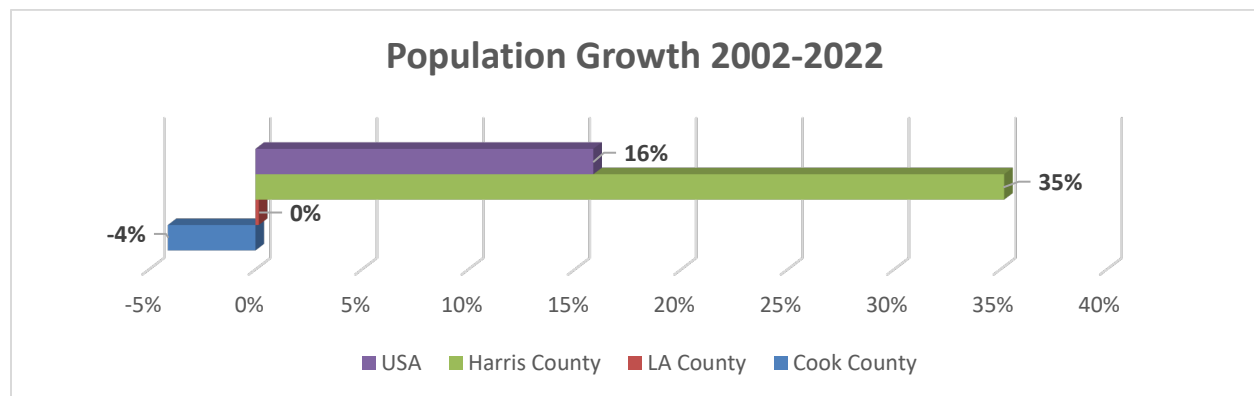
PROFILE OF THE AUTHORITY

History, Location, and Population

The Authority was established in 1983 by the Harris County Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters authorized issuance of up to \$900 million in bonds to construct, operate and maintain toll roads in Harris County.

The Authority operates and maintains the following roadways. The six-mile Tomball Tollway opened in 2015 along the State Highway 249 corridor between Spring Cypress Road and Farm to Market Road 2920. The Katy Managed Lanes extend 12 miles from State Highway 6 to Interstate 610. The Sam Houston Tollway is the second-most outer loop encompassing the City of Houston and surrounding areas within Harris County and spans a distance of approximately 70 miles. Harris County’s 13 mile segment of the Westpark Tollway begins at Interstate 610 and extends to the County line and offers an alternative east-west corridor for West Houston residents. The Hardy Toll Road generally parallels Interstate 45 and spans approximately 21 miles with an additional 2-mile connection to George Bush Intercontinental Airport. The Fort Bend Parkway extension (Spur 90A) covers a distance of approximately 2 miles.

Harris County is located in the upper Gulf Coast in Southeast Texas approximately 50 miles from the Gulf of Mexico. The County’s population has grown to an estimated 4.8 million residents. Harris County continues to be the nation’s third largest county in terms of population and one of the fastest growing counties with 35% growth since 2002. Over a 20-year period, Harris County’s population has grown more than twice as fast as the nation’s population. This growth has created transportation challenges that the Authority is responding to by connecting communities and improving mobility through a commitment to excellence in the operation of a toll road system.



Authority Structure and Services

The Authority relies on charges from users of the toll road system to fund operations, debt service, and future projects.

The Authority is organized into multiple operating units, all of which report directly to the Executive Director, as follows: (i) Administration; (ii) Capital Planning; (iii) Capital Projects & Infrastructure; (iv) Finance; (v) Public Safety & Operations; (vi) Strategic Operations Support; and (vii) Tolling Operations. The Authority is provided legal services by the County Attorney’s Office and other support services, such as law enforcement and traffic incident management, by the County. As of September 30, 2023, the Authority had 745 full-time employees; in addition, the Authority had 342 open full-time positions that it plans to fill during the next fiscal year.

Budget Process

In accordance with Chapter 111 of the Texas Local Government Code, the County prepares and adopts an annual operating budget, which serves as a financial plan for the Authority for the new fiscal year beginning October 1. The County Auditor is responsible for the preparation of the annual estimate of available resources for the County (including the Authority) to be used in the preparation of the annual budget. The County budget (including the Authority’s budget) may not exceed the available resources of the County funds as determined by the County Auditor. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring the expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the Authority is at the fund level. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money, for capital projects through the issuance of bonds, for intergovernmental contracts, and for new sources of revenue not anticipated at the original budget adoption. Encumbrance accounting

is utilized to ensure effective budgetary control and accountability.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

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

The Houston region is designated as the Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (MSA), and it comprises Harris County and eight other counties. The U.S. Bureau of Economic Analysis estimates metro Houston's Gross Domestic Product (GDP) at approximately \$633.2 billion. Twenty-six companies on the 2023 Fortune 500 list are headquartered in the Houston area. No single industry dominates Houston employment.

The current price of West Texas Intermediate (WTI) crude oil as of September 2023 is approximately \$89 per barrel, which is an increase from September 2022 per the U.S. Energy Information Administration. Oil prices increased in the last year due to many factors in the economy.

The preliminary September 2023 unemployment rate for the Houston MSA was 4.4% compared to the national average of 3.9%. The State's preliminary unemployment rate for September 2022 was 4.1%.

The Houston-The Woodlands-Sugar Land, Texas area had a Consumer Price Index (CPI) that was .1% lower than other large urban areas as calculated for September 2023 by the Bureau of Labor Statistics. The Houston area's lower CPI-Urban is due in part to a lower CPI for housing, fuel and utilities than other large urban areas.

Houston has one of the world's busiest ports and an excellent airport system that are integral components of the regional economy. The Port of Houston is one of the largest ports in the world. The Port of Houston includes the Houston ship channel, which connects the Houston area terminals and the Gulf of Mexico, and is the location of one of the world's largest petrochemical complexes. The Houston Airport System includes three airports and has nonstop flights from Houston to more than 190 destinations and six continents. The airport system served over 59.7 million passengers in the 12 months ending November 2023, and is recognized worldwide as a key global gateway with strong connectivity to Latin America.

Per the Multiple Listing Service of the Houston Association of Realtors, sales of single-family homes decreased 10.9% in September of 2023 versus September of 2022. September sales was the 18th straight month of negative sales activity due largely to the persistent lack of inventory and inflationary headwinds that include rising interest rates. Months' supply of homes climbed to 3.5-months supply, the highest level since November 2019 when it was at a 3.6-months supply. Compared to pre-pandemic September 2019, when volume totaled 7,050, home sales were down 2.3%.

Financial Policies and Long-Term Financial Planning

The County will continue to focus on building a strong balance sheet to maintain both financial stability and current high bond ratings, as well as allocating resources to be prepared for floods, hurricanes, or similar unexpected events. The County has sufficient resources to cover current expenditures.

Key elements in maintaining the County's financial strength and high bond rating are the County's management of investments and debt (including the investments and debt of the Authority). The Harris County Investment Policy, including investment strategies, is reviewed and approved at least annually by Commissioners Court. Additional information regarding the County's investment and debt management has been included in Note 2 of the notes to the Authority's financial statements, Deposits and Investments, and Note 7 of the notes to the Authority's financial statements, Long-Term Liabilities.

Risk management and self-insurance with stop-loss policies (as applicable) for medical, workers' compensation, and property continue to be effective. Various actuarial studies are periodically performed to aid in liability calculation, as well as financial planning.

The County provides retirement for all of its employees (excluding temporary employees) through the Texas County and District Retirement System (TCDRS). The County's net pension liability at September 30, 2023, was \$697,018,073, which includes the Authority's net pension liability of \$24,261,768. The County currently provides a postemployment healthcare plan; the Total OPEB liability was \$2,805,716,749, at September 30, 2023, which includes \$120,276,191 for the Authority. Additional information regarding the County's retirement plan and postemployment healthcare plan is located in Notes 8 and 9 of the notes to the Authority's financial statements.

Major Initiatives

The Authority's conversion of the County's toll road system to an all-electronic tolling implementation is currently underway as approved by Commissioners Court. In January 2023 Commissioners Court approved a Toll Setting Policy to address the Authority's current operational structure, specifically the elimination of cash tolls in the lanes, and approved to lower the proposed tolls by providing a 10% discount for 2-axle EZ Tag account holders, the updated policy with the discount went into effect September 4, 2023. The Authority foresees that the updated Toll Setting Policy and the EZ Tag discount will encourage additional customers to sign up to obtain an EZ Tag and the traffic in the toll road to increase. In addition, the Authority continues to focus on a strategic plan to chart a roadmap for the future of the agency with these main areas of focus: a framework for resiliency and sustainability programming, and long-range capital planning which advances projects in line with Commissioners Court's overall vision for transportation for the County.

ACKNOWLEDGMENTS

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

REQUEST FOR INFORMATION

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



Michael Post, CPA, CIA
County Auditor

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INDEPENDENT AUDITOR'S REPORT

County Judge Lina Hidalgo
and Members of Commissioners
Court of Harris County, Texas:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Toll Road Authority Enterprise Fund (the "Authority") of Harris County, Texas (the "County"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority of Harris County, Texas, as of September 30, 2023, and the changes in its financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Restatement

As discussed in Note 13 to the financial statements, the beginning net position of the accompanying 2023 financial statements has been restated to correct an error. Our opinion is not modified with respect to this matter.

Emphasis of Matter—Presentation

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of Harris County, Texas, as of September 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Changes in Total Other Postemployment Benefit Liability and Related Ratios, Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios, and the Texas County and District Retirement System – Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Other Information sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

March 28, 2024

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

This section of the Toll Road Authority Enterprise Fund of Harris County financial statements presents management’s discussion and analysis (“MD&A”) of the financial performance of the Harris County Toll Road Authority (“Authority”) during the fiscal year ended September 30, 2023.

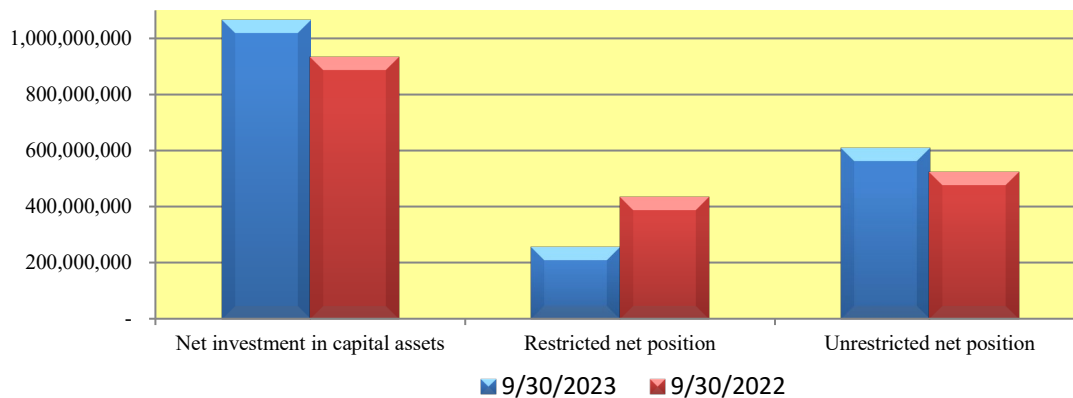
In January 2021, Commissioners Court approved changing the fiscal year for Harris County and the Authority from a fiscal year ending February 28/29 to a fiscal year ending September 30, in calendar year 2022. At that time, the financial statements were presented for a seven-month period of March 1, 2022 through September 30, 2022. The terms “prior period” or “previous period” used throughout this report represent the seven-month period ended September 30, 2022.

The Authority is an enterprise fund of Harris County, Texas (the “County”) and is included in the County’s financial statements. This analysis presents information about the Authority and its operations and activities only and is not intended to provide information about the entire County. Please read this section in conjunction with the financial statements and related footnotes following this section.

FINANCIAL HIGHLIGHTS

- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$1,064,941,013, includes total capital assets, less accumulated depreciation/amortization, less all outstanding principal of capital-related borrowings, capital related liabilities, plus capital-related deferred outflows and any unspent bond proceeds. This category of net position increased \$131,092,202 from the previous period, primarily due to various ongoing construction projects throughout the County related to the Authority.
 - (2) Net position of \$255,731,537 is restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net position decreased by \$177,573,206 from the prior period primarily due to the decrease in restricted cash needed for debt service.
 - (3) Unrestricted net position of \$609,544,819 represents the portion available to meet ongoing obligations of the Authority. Unrestricted net position increased \$87,275,294 from the previous period.

Net Position Comparison



***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of 1) Financial Statements and 2) Notes to the Financial Statements.

Financial Statements for the Authority include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Since the Authority is an enterprise fund, its financial statements are presented with a flow of economic resources measurement focus and use the accrual basis of accounting. Funds are a self-balancing set of accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions, or limitations. The Authority is used to account for the acquisition, operation and maintenance of toll roads within Harris County.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found beginning on page 18 of this report.

Restatement: Subsequent to the issuance of the financial statements for the period ended September 30, 2022, the Authority identified two errors. The 2023 beginning net position has been restated as a result of errors in construction in progress. See related information within Footnote 13.

FINANCIAL ANALYSIS

The total net position of the Authority as of September 30, 2023 was \$1,930,217,369 and \$1,889,423,079 as of September 30, 2022. Revenues exceeded expenses and transfers out, increasing net position by \$40,794,290 from last year.

**Harris County Toll Road Authority Enterprise Fund
Condensed Statement of Net Position
September 30, 2023 and September 30, 2022
(Amounts in thousands)**

	<u>9/30/2023</u>	<u>9/30/2022</u>
Current assets	\$ 1,181,479	\$ 1,081,529
Capital assets, net	3,322,409	3,213,949
Other non-current assets	177,194	347,981
Total assets	<u>4,681,082</u>	<u>4,643,459</u>
Deferred outflows of resources	<u>93,152</u>	<u>114,360</u>
Current liabilities	365,386	337,017
Non-current liabilities	2,423,003	2,443,217
Total liabilities	<u>2,788,389</u>	<u>2,780,234</u>
Deferred inflows of resources	<u>55,628</u>	<u>88,162</u>
Net position:		
Net investment in capital assets	1,064,941	933,849
Restricted	255,731	433,305
Unrestricted	609,545	522,269
Total net position	<u>\$ 1,930,217</u>	<u>\$ 1,889,423</u>

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

The largest portion of the Authority's current fiscal year net position is net investment in capital assets. The remaining balance of the Authority's current fiscal year net position represents unrestricted, which is used for the ongoing operations of the Authority, and restricted net position, which is subject to external restrictions on how it may be used. The Authority's restricted net position is for capital projects, debt service, and operating reserve per debt covenants and other purposes.

The following table reflects how the Authority's net position changed during the year:

Harris County Toll Road Authority Enterprise Fund Statement of Revenues, Expenses and Changes in Net Position (In Thousands) For the Fiscal Year Ended September 30, 2023 and the Period Ended September 30, 2022		
	<u>9/30/2023</u>	<u>9/30/2022</u>
Revenues:		
Operating revenues:		
Toll revenue	\$ 896,351	\$ 532,151
Nonoperating Revenues:		
Investment income	36,901	1,562
Lease income	8	5
Miscellaneous income	1,944	1,653
Gain on disposal of capital assets	-	182
Total revenues	<u>935,204</u>	<u>535,553</u>
Expenses:		
Operating Expenses:		
Salaries	80,707	40,502
Materials and supplies	29,376	13,233
Services and fees	213,417	116,964
Utilities	4,255	2,000
Transportation and travel	4,356	2,430
Depreciation and amortization	113,765	56,457
Nonoperating Expenses:		
Interest expense	73,092	50,466
Debt service fees	1,435	1,540
Amortization expense	1,315	1,677
Loss on disposal of capital assets	3,392	-
Total expenses	<u>525,110</u>	<u>285,269</u>
Income before transfers	410,094	250,284
Transfers out	<u>(369,300)</u>	<u>(123,908)</u>
Change in net position	<u>40,794</u>	<u>126,376</u>
Net position - beginning of year (as restated, see Note 13)	<u>1,889,423</u>	<u>1,763,047</u>
Net position - ending	<u>\$ 1,930,217</u>	<u>\$ 1,889,423</u>

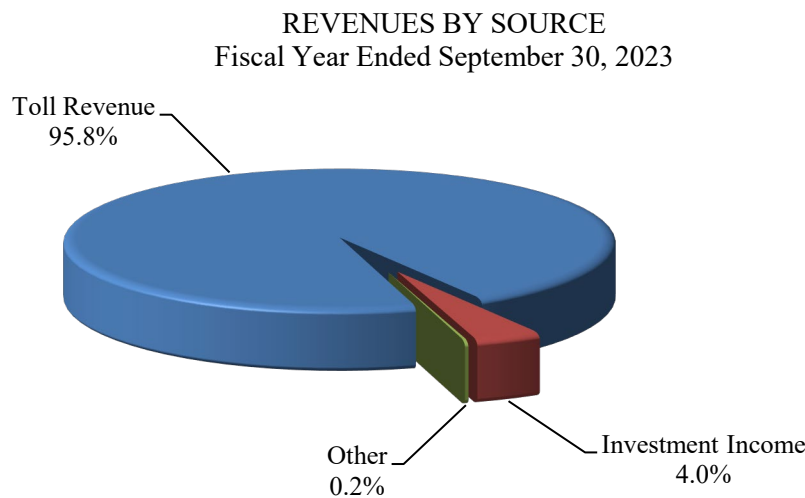
Revenues

Total revenues for fiscal year 2023 were \$935,204,714, an increase of \$399,651,047 compared to the previous fiscal year. Revenues for the period ended September 30, 2022 were \$535,553,667. This increase was largely related to the return to a full 12 month reporting period.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

The largest revenue source is toll revenue of \$896,351,094 or 95.8% of total revenues. This revenue category increased \$364,199,796 from the period ended September 30, 2022. This increase was largely related to the return to a full 12-month reporting period.

Investment income for fiscal year 2023 totaled \$36,900,982 and comprises 4.0% of total revenues. This revenue source increased by \$35,338,564 compared to \$1,562,418 for the period ended September 30, 2022, due to an increase in interest earned from investments. Other revenues totaled \$1,952,638 or 0.2% of total revenues. Other revenues include lease revenue of \$8,479, and miscellaneous revenue of \$1,944,159 for reimbursements and recovery of revenue losses.



Expenses

For the fiscal year ended September 30, 2023, expenses totaled \$525,110,424 an increase of \$239,840,120 compared to the prior period. For the prior period ended September 30, 2022, expenses totaled \$285,270,304.

Services and fees of \$213,416,742 is the largest expense category and is 40.6% of total expenses. This is an increase of \$96,452,276 from the prior period ended September 30, 2022. This increase is largely related to the return to a full 12-month reporting period.

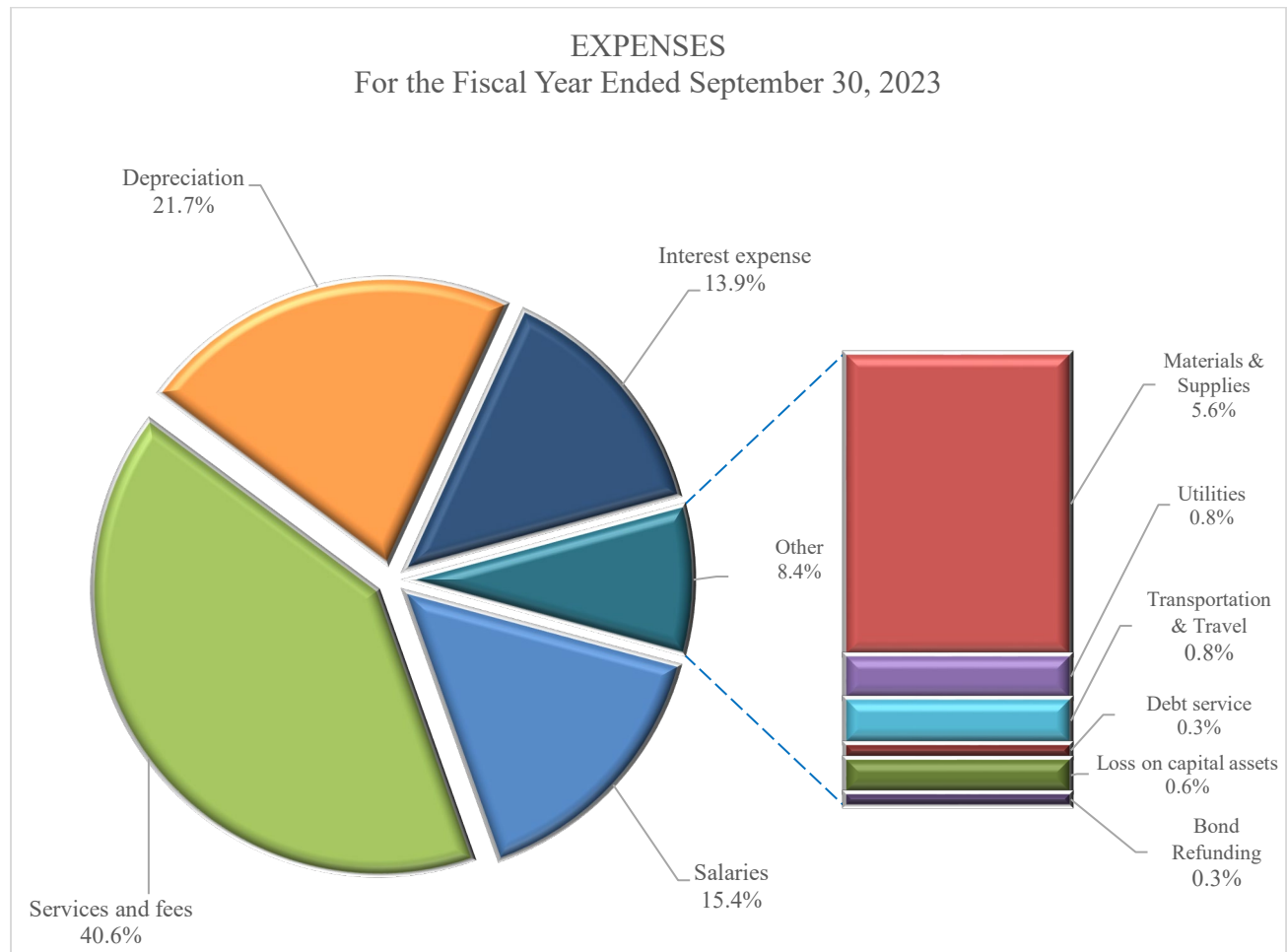
Interest expense of \$73,091,761 is 13.9% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries expense is \$80,707,014 or 15.4% of total expenses. This represents an increase of \$40,205,146 over the prior period ended September 30, 2022. This increase is largely related to the return to a full 12-month reporting period.

The remaining 30.1% of expenses represent depreciation (21.7%), and other expenses (8.4%) which consists of outlays relative to materials and supplies, utilities, transportation and travel, bond refunding loss

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

amortization, loss on disposal of capital assets, and debt service fees. All of these expense categories are necessary for the operation of the toll road.



Transfers

Transfers out in the amount of \$369,300,000 consisted of transfers of surplus revenue of the Authority, including the annual mobility transfer, approved by Commissioners Court in accordance with the existing Authority bond indenture and Section 284.0031, Transportation Code, to pay or finance costs of roads, streets, highways, or other related facilities that are not part of the Authority’s toll road system.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority’s capital assets net of depreciation/amortization as of September 30, 2023 and September 30, 2022, amounted to \$3,322,409,141 and \$3,213,948,271, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority’s capital assets, net of accumulated depreciation/amortization increased \$108,460,870 from prior period ended September 30, 2022.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

	Balance September 30, 2023	Balance September 30, 2022
Land	\$ 384,825,003	\$ 383,609,851
Easement	1,989,062	1,989,062
Construction in progress	1,007,521,731	1,055,326,095
License agreement	237,500,000	237,500,000
Intangible Assets - software	43,537,966	42,470,466
Land improvements	18,865,805	18,865,805
Infrastructure	3,599,020,502	3,370,887,637
Other tangible assets	6,898,941	7,489,687
Buildings	20,728,052	20,728,052
Equipment	58,381,234	60,309,328
Lease Right-to-use Assets	28,726,247	4,070,753
Subscription Right-to-use Assets	12,026,238	-
	<u>5,420,020,781</u>	<u>5,203,246,736</u>
Less: Accumulated depreciation/amortization	(2,097,611,640)	(1,989,298,465)
Totals	<u>\$ 3,322,409,141</u>	<u>\$ 3,213,948,271</u>

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

Long-term liabilities

At the end of the fiscal year, the balance of the Authority's total outstanding long-term liabilities was \$2,538,878,350. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	Outstanding at September 30, 2023	Outstanding at September 30, 2022
Bonds payable	\$ 2,245,527,863	\$ 2,370,243,599
Commercial paper payable	111,930,000	36,600,000
Compensatory time payable	1,522,873	1,501,867
Lease payable	25,809,497	3,541,930
SBITA payable	8,326,158	12,026,238
Total OPEB liability	120,276,191	117,667,442
Hedging derivative instruments	-	16,344,226
Net pension liability	24,261,768	-
Pollution remediation obligation	1,224,000	-
Totals	<u>\$ 2,538,878,350</u>	<u>\$ 2,557,925,302</u>

Note: There was no Net pension liability as of September 30, 2022 as it was net pension asset. See note 8 for further information regarding this change.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2023***

The Authority has a continuing goal to upgrade or maintain the Authority's debt rating. The bond rating services of Moody's Investor's Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the Authority long term bond ratings of Aa2, and AA, respectively, for First Lien Bonds and Aa1, AA-, and AA, respectively, for the Senior Lien Revenue Bonds.

See Note 8 and Note 9 to the financial statements for further information on the County's Net Pension Liability/(Asset) and Total OPEB Liability.

ECONOMIC FACTORS

- Harris County has a vibrant and diverse economy driven largely by the region's energy industry, international export and import shipping through the Port of Houston, two major airports, the Medical Center, and a variety of other industries. These other industries primarily include banking, technology, construction, manufacturing, and education.
- The Houston region has experienced dramatic changes in its population size and composition over the last few decades, and these trends are expected to continue. In the 2020, the Houston region had 7.2 million residents and 3.5 million jobs. According to a forecast provided by the Houston Galveston Area Council, population is expected to reach 11.2 million by 2050, growing by nearly 5 million people over the next 35 years (2015-2050). That is an average increase of 1.6 percent growth each year. Similarly for jobs, the region is expected to create an additional 1.5 million jobs. These underlying factors drive strong demand for transportation infrastructure in the region.
- METRO, a regional transit authority, currently operates an extensive bus and rail fleet serving Harris County and the City of Houston. METRO also offers "park-and-ride" services, which include free automobile parking at suburban METRO lots and bus service to and from Houston's various employment centers. METRO's High Occupancy Toll ("HOT") lanes and expanded rail service provide some additional alternatives to the Toll Road System.

Major Construction Projects by the Authority:

The Authority continues to move forward with projects authorized by Commissioners Court including the Hardy Toll Road Downtown Connector, the Ship Channel Bridge, the widening of portions of the Sam Houston Tollway, and completion of the Tomball Tollway.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority'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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 456,402,745
Investments	599,574,816
Receivables, net	17,614
Accrued interest receivable	3,461,403
Other receivables, net	117,211,061
Due from other funds	142,700
Prepays and other assets	2,785,168
Inventories	1,883,505
Total current assets	<u>1,181,479,012</u>
Non-current assets:	
Restricted cash and cash equivalents	136,763,882
Restricted investments	40,422,281
Notes receivable	7,581
Capital Assets:	
Land and construction in progress	1,394,335,796
License agreement/Intangibles, net of amortization	186,001,780
Other capital assets, net of depreciation	1,742,071,565
Total non-current assets	<u>3,499,602,885</u>
Total assets	<u>4,681,081,897</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refundings	35,624,688
Pension contributions after measurement date	5,644,855
Differences between expected and actual pension experience	448,309
Net difference between projected and actual earnings on pension assets	4,786,530
Changes of pension assumptions	7,581,079
Changes of OPEB assumptions and differences between expected and actual experience	39,066,945
Total deferred outflows of resources	<u>93,152,406</u>

LIABILITIES

Current liabilities:	
Vouchers payable	68,369,827
Accrued payroll	4,999,150
Retainage payable	17,081,749
Customer deposits	160,106
Due to primary government	22,638,913
Due to other governmental units	40,985,184
Unearned revenue	95,275,870
Current portion of long-term liabilities	115,875,518
Total current liabilities	<u>365,386,317</u>
Non-current liabilities:	
Bonds payable	2,140,403,757
Pollution remediation payable	1,224,000
Commercial paper payable	111,930,000
Compensatory time payable	759,548
Lease liability	21,928,756
Subscription liability	4,324,812
Total OPEB liability	118,170,191
Net pension liability	24,261,768
Total non-current liabilities	<u>2,423,002,832</u>
Total liabilities	<u>2,788,389,149</u>

DEFERRED INFLOWS OF RESOURCES

Differences between expected and actual pension experience	1,554,334
Changes of OPEB assumptions	54,069,211
Leases	4,240
Total deferred inflows of resources	<u>55,627,785</u>

NET POSITION

Net investment in capital assets	1,064,941,013
Restricted for capital projects	9,847,849
Restricted for debt service	157,995,081
Restricted for bond covenant and other purposes	87,888,607
Unrestricted	609,544,819
Total net position	<u>\$ 1,930,217,369</u>

See notes to the financial statements.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

OPERATING REVENUE	
Toll revenue	\$ 896,351,094
Total operating revenue	<u>896,351,094</u>
OPERATING EXPENSES	
Salaries	80,707,014
Materials and supplies	29,375,689
Services and fees	213,416,742
Utilities	4,255,000
Transportation, travel, and other administration	4,356,186
Depreciation and amortization	113,765,482
Total operating expenses	<u>445,876,113</u>
Operating income	<u>450,474,981</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	36,900,982
Lease income	8,479
Interest expense	(73,091,761)
Debt service fees	(1,435,466)
Gain (loss) on disposal of capital assets, net	(3,392,016)
Bond refunding loss amortization	(1,315,068)
Miscellaneous income	1,944,159
Total nonoperating revenues (expenses)	<u>(40,380,691)</u>
Income before transfers	410,094,290
Transfers out	<u>(369,300,000)</u>
Change in net position	40,794,290
Net position, beginning of year (as restated, Note 13)	<u>1,889,423,079</u>
Net position, end of year	<u><u>\$ 1,930,217,369</u></u>

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 878,747,573
Payments to employees for salaries and benefits	(67,753,144)
Payments to suppliers and providers	(256,589,409)
Receipts from other governmental units	5,139,907
Receipts from other sources	1,944,159
Net cash provided by operating activities	<u>561,489,086</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(369,300,000)
Net cash used for noncapital financing activities	<u>(369,300,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from lease of capital assets	33,687
Acquisition and construction of capital assets	(220,463,962)
Proceeds from sale of capital assets	643,553
Principal paid on capital debt	(87,520,000)
Interest paid on capital debt	(97,107,720)
Bonds payable proceeds	135,093,203
Lease payable	22,267,567
Subscription payable	8,326,158
Hedging derivative instruments	(16,344,226)
Escrow paid on refunded debt	(145,570,000)
Commercial paper proceeds	75,330,000
Pollution payable	1,224,000
Bond issuance cost	(1,435,466)
Net cash used for capital and related financing activities	<u>(325,523,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(709,631,128)
Proceeds from sale and maturity of investments	927,727,055
Interest on investments	35,718,478
Net cash provided by investing activities	<u>253,814,405</u>
Net decrease in cash and cash equivalents	120,480,285
Cash and cash equivalents, beginning	472,686,342
Cash and cash equivalents, ending	<u>\$ 593,166,627</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 450,474,981</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization expenses	113,765,482
Other nonoperating revenues	1,944,159
Decrease in accounts receivable	11,174
(Increase) in other receivables	(22,852,335)
(Increase) in prepaid items	(1,764,253)
Decrease in inventories	3
Decrease in pension deferred outflows	1,499,296
Decrease in OPEB deferred outflows	7,918,622
(Decrease) in vouchers payable	(14,159,542)
Increase in accrued payroll	970,552
(Decrease) in retainage payable	(11,107,971)
Increase in due to primary government	21,845,971
Increase in due to other governmental units	5,139,907
Increase in customer deposits	435
Increase in unearned revenue	5,237,205
Increase in compensated absences	17,229
Increase in net pension liability/Asset	32,593,069
Increase in total OPEB liability	2,480,749
(Decrease) in pension deferred inflows	(28,758,362)
(Decrease) in OPEB deferred inflows	(3,767,285)
Total adjustments	<u>111,014,105</u>
Net cash provided by operating activities	<u>\$ 561,489,086</u>
Noncash capital and related financing and investing activities:	
(Decrease) in fair value of hedging derivatives	\$ (16,344,226)
Increase in fair value of investments	9,177,116
Purchases of capital assets on account	(7,249,612)

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Harris County Toll Road Authority (the “Authority” or “Toll Road”) was created by Harris County, Texas, (the “County”) by order of the Harris County Commissioners Court on September 22, 1983, with the Commissioners Court designated as the governing body and the operating board of the Authority. The Authority is a department and fund of the County and is charged with overseeing the acquisition, construction, improvement, operation and maintenance of the County toll road facilities (the “Toll Road Project”). The Commissioners Court has full oversight responsibility for the Authority, and the Toll Road Project is an integral part of the County’s financial statements. Construction of the Hardy Toll Road, the Sam Houston Tollway, Westpark Tollway, Fort Bend Parkway extension (Spur 90A), Tomball Tollway, and acquisition of the Jesse H. Jones Toll Bridge, now referred to as the “Sam Houston Ship Channel Bridge” (the “Toll Roads”) have been financed with a combination of unlimited tax and subordinate lien revenue bonds and senior lien revenue bonds. When all of the debt service, as discussed in Note 7, has been paid or provided for in a trust fund, the Toll Roads will become a part of the State of Texas Highway System.

In January 2021, Commissioners Court approved changing the fiscal year for Harris County and the Authority from a fiscal year ending February 28/29 to a fiscal year ending September 30, with the transition to begin in calendar year 2022. At that time, the financial statements were presented for a seven-month period of March 1, 2022 through September 30, 2022. The terms “prior period” or “previous period” used throughout this report represent the seven-month period ended September 30, 2022.

Implementation of New Standards - In the current fiscal year, the Authority implemented the following standards issued by the Governmental Accounting Standards Board (“GASB”):

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – (“GASB 94”), primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 was implemented by the Authority in fiscal year September 30, 2023 and had no effect on the Authority’s financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – (“GASB 96”), provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 was implemented by the Authority, resulting in recognition of \$11,555,814 of right-to-use subscription assets and subscription payable as of October 1, 2022 within the statement of net position to conform to the new standard.

Basis of Presentation and Measurement Focus- The accompanying basic financial statements have been prepared on the full accrual basis of accounting as prescribed by the GASB. Full accrual accounting uses a flow of economic resources measurement focus.

The basic financial statements of the Authority consist of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Enterprise Fund – Revenues are recognized in the period earned. The Authority’s operating revenues are derived from charges to users of the Toll Roads in the County. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources to the extent they are needed.

Expenses are recognized in the period incurred. The Authority’s operating expenses consist primarily of direct charges attributable to the operations of the Authority, including depreciation. Interest expense and other similar charges not directly related to the Authority’s operations are reported as non-operating expenses.

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 date of purchase. All investments are recorded at amortized cost or at fair value based upon quoted market prices as of the Authority’s period ended, with the difference between the purchase price and market price being recorded as investment income/loss.

Restricted Assets and Restricted Net Position– Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended September 30, 2023, the Authority was in compliance with these covenants.

In the 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.

Inventories – Inventory is stated at the lower of cost or market value, using the first-in, first-out method. EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of September 30, 2023 multiplied by the cost per tag type.

Capital Assets – Capital assets include land, construction in progress, intangibles, buildings, equipment and infrastructure that are used in the Authority’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 Authority include roads, bridges, sewers and right-of-way.

Capital assets of the Authority 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: all land and easements over \$1 are capitalized. Purchased software greater than \$100,000 is capitalized and internally developed software greater than \$1,000,000 is capitalized. The threshold for capitalizing buildings is \$100,000 and the threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the asset.

All capital assets are stated at historical cost or estimated fair value at the date of purchase. Donated fixed assets are stated at their estimated acquisition value on the date donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from 3 to 45 years. Infrastructure is depreciated over a 30-year useful life. Equipment is depreciated over 3 to 20 years, depending on the type. Buildings are depreciated over 45 years. Amortization of the intangible license agreement is based upon the revenues received and will continue until the license is fully amortized.

Harris County (acting through the Harris County Toll Road Authority) entered into a tri-party agreement in March 2003 with the Texas Department of Transportation (“TxDOT”) and Federal Highway Administration to participate in the reconstruction of a portion of the IH10 Katy Freeway. Under this agreement, the

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Authority funded \$237.5 million for the license to the real property for the right to operate a toll facility known as the Katy Tollway (Managed Lanes) and paid an additional \$12.5 million for the design and construction, and other allowable expenses related to such toll facility.

In April 2012, the County approved a memorandum of understanding with TxDOT (the “MOU”) that contained a general outline regarding the development, funding, construction, operation and maintenance of various transportation projects in the region, including proposed toll projects along US 290 and SH 288 and Grand Parkway toll segments being constructed by TxDOT. The County’s responsibilities were further clarified in subsequent correspondence between the parties in March 2018 and June 2019. As a result of the MOU and subsequent negotiations with TxDOT, the County agreed to contribute an aggregate of \$400 million in Project revenues, in multiple installments over the span of several years, to assist in the funding of certain TxDOT projects in the region, including the reconstruction of the US 290 corridor, frontage road and watershed improvements along SH 249, and interchange improvements at SH 249 and the Grand Parkway and SH 225 and Beltway 8.

The County also agreed to waive its primacy development rights for certain toll projects in the region, including a proposed toll project along US 290 that was ultimately removed from the corridor reconstruction plans and the northern segment of a toll project in the SH 288 corridor that was ultimately financed and constructed by a private developer pursuant to a TxDOT comprehensive development agreement. In addition to agreeing to fund certain Medical Center related infrastructure in connection with the County’s waiver of primacy on the SH 288 toll project, TxDOT agreed that the County could provide tolling services on TxDOT’s tolled segments of the Grand Parkway, subject to a mutually agreeable fee. The County and TxDOT have had intermittent discussions about terms for a Grand Parkway tolling services agreement but to date have been unable to reach final agreement.

Lease Assets – Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets – Subscription assets are initially recorded at the initial measurement of the subscription liability, plus payments made at or before the commencement of the subscription term. Subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset.

Asset Impairments - The Authority evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital and lease asset has occurred. If a lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the fiscal year ended September 30, 2023.

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

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Authority is treated as a County department by the County's Risk Management Office and is assessed premiums and charges similar to those assessed to other County departments.

The Authority is covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical and indemnity 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 medical liability. No claims settled during the last three fiscal years have exceeded this coverage.

Through the County, the Authority provides medical, dental, vision and basic life and disability insurance to eligible employees and retirees. The Authority pays a flat monthly rate of \$1,437.57 per employee based on the estimated full cost of health benefits.

The Authority'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 Authority for property insurance, professional liability insurance and crime and fidelity policies are handled through the County's General Fund as are payments to the insurance carriers. Claim payments made up to the deductible limit are expensed by the Authority when paid by the General Fund. Payments for the Authority's general, vehicle and property damage liability claims, for which the County is self-insured, are made through the General Fund and billed to the Authority.

Compensated Absences - Accumulated compensatory absences are recorded as an expense and liability as the benefit accrues for the employee.

Regular employees accrue 13 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 3.08 to 7.7 hours of vacation per pay period depending on years of service and may accumulate a maximum of 280 hours of vacation benefits. 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 current 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.

Statement of Cash Flows – All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expense) until that time. The Authority's deferred outflows, when applicable, consist of deferred charge on refundings, pension contributions after measurement date, difference

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

between expected and actual pension experience, net difference between projected and actual earnings on pension assets, changes of pension assumptions, and changes of OPEB assumptions and difference between expected and actual experience. 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. Pension and OPEB assumption changes, differences between expected and actual experience and net differences between projected and actual earnings for pension are amortized over a closed 5-year period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Authority's deferred inflows, when applicable, consist of the deferred revenue related to leases (related to GASB 87), the differences between expected and actual experience for Pension and changes of OPEB assumptions for which are amortized over the average of the expected remaining service lives of all employees that are provided with pension benefits through the pension plan (active employees and inactive employees). Leases are amortized over the life of the lease.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 these 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 (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 Authority 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 September 30, 2023, the balance per various financial institutions was \$310,476,181. The Authority's deposits are not exposed to custodial credit risk since all deposits are either 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 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.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

AUTHORIZED INVESTMENTS

Funds of Harris County (including Authority funds) 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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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. Regardless of whether commercial paper is purchased directly from the issuer or from a broker/dealer in the secondary market, a competitive bid process is required, in which the investment yield is compared to other available commercial paper having a comparable maturity and credit rating. An exception may be made to the competitive offer process when seeking to purchase municipal commercial paper securities due to very limited quantity.
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).

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value or amortized cost. The following is a summary of the Authority's cash and investments at September 30, 2023.

	Totals
Cash and Cash Equivalents	\$ 456,402,745
Investments	599,574,816
Restricted Cash and Cash Equivalents	136,763,882
Restricted Investments	40,422,281
Total Cash, Cash Equivalents & Investments	\$ 1,233,163,724

The table below indicates the fair value and maturity value of the Authority's investments as of September 30, 2023, summarized by security type. Also demonstrated are the percentages of the total portfolio, the modified duration in years, and the credit ratings for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P/ Moody's/Fitch
<i>US Agency Notes</i>					
FFCB	\$ 8,902,079	0.73%	\$ 9,000,000	0.0003	AA+/Aaa
FHLB	227,422,694	18.53%	232,000,000	0.2535	AA+/Aaa
FHLMC	16,677,605	1.36%	17,000,000	0.0017	AA+/Aaa
<i>Total US Agency Notes</i>	253,002,378		258,000,000		
<i>Commercial Paper</i>					
BARCLAYS US-Disc	71,010,000	5.79%	72,000,000	0.0127	A1/P1
GTA FUNDING DISC	1,976,896	0.16%	2,000,000	0.0000	A1/P1
LA FAYETTE ASSET SEC DISC	1,998,220	0.16%	2,000,000	0.0000	A1/P1
TMCC DISC	5,883,371	0.48%	6,000,000	0.0001	A1+/P1
<i>Total Commercial Paper</i>	80,868,487		82,000,000		
<i>Municipal Commercial Paper</i>					
UNIV OF TEXAS DISC	24,732,840	2.02%	25,000,000	0.0012	A1+/P1
<i>Total Municipal Commercial Paper</i>	24,732,840		25,000,000		

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Modified Duration (Years)	Credit Rating S&P/ Moody's/Fitch
<i>Local Governments</i>					
BIRDVILLE ISD TX 5	\$ 3,256,001	0.27%	\$ 3,245,000	0.0010	AA/AA+
BLOOMINGDALE NJ UT GO	10,173,061	0.83%	10,129,000	0.0031	SP-1
COMAL ISD TX UT GO	1,254,100	0.10%	1,250,000	0.0003	AAA/Aaa
CONROE ISD TX UT GO	1,710,701	0.14%	1,710,000	0.0005	AAA/Aaa
GRAND PRAIRIE TX LT GO	3,091,326	0.25%	3,160,000	0.0026	AAA/AA+
LAMAR ISD TX UT GO	994,720	0.08%	1,000,000	0.0003	AAA/Aaa
LITTLE EGG HARBOR TWP NJ	6,436,566	0.52%	6,417,250	0.0017	MIG 1
LOUDON CO. VA REV	1,355,770	0.11%	1,360,000	0.0002	AA+/Aa1
MET COUNCIL MINN MN WSTWTR	14,094,978	1.15%	14,545,000	0.0105	AAA/Aaa
NORTH EAST ISD TX UT GO	554,719	0.05%	565,000	0.0006	AAA
OREGON ST LOTTERY REV	3,639,023	0.30%	3,750,000	0.0039	AAA/Aa2
PALM BEACH CO FL REV	12,157,436	0.99%	12,265,000	0.0017	AAA/Aa1
SAN ANTONIO TX LT GO	694,379	0.06%	700,000	0.0002	AAA/Aaa
SAN FRANCISCO CITY & CO CA	2,051,840	0.17%	2,000,000	0.0027	AAA/Aaa
SOUTHWEST ISD TX UT GO	775,921	0.06%	780,000	0.0002	AAA
SPRING BRANCH ISD TX UT GO	8,025,440	0.65%	8,000,000	0.0022	AAA/Aaa
ST OF MASSACHUSETTS	4,923,420	0.40%	5,000,000	0.0030	Aa1
STATE OF MAINE GO	1,034,616	0.08%	1,065,000	0.0006	AA/Aa2
STATE OF TX GO SER 21	7,800,000	0.64%	7,800,000	0.0000	AAA
TEXAS A&M UNIV REV	3,889,982	0.32%	4,195,000	0.0113	AAA/Aaa
UNIV OF MISSOURI REV	8,357,581	0.68%	8,385,000	0.0006	AA+/Aa1
WACO ISD TX	1,046,243	0.09%	1,100,000	0.0008	Aaa
WYANDOTTE KS UT GO	4,480,000	0.37%	4,480,000	0.0018	SP-1
<i>Total Local Governments</i>	<u>101,797,823</u>		<u>102,901,250</u>		
<i>US Treasury Bills</i>					
US Treasury Bills	2,967,680	0.24%	3,000,000	0.0005	AA+/Aaa
<i>Total US Treasury Bills</i>	<u>2,967,680</u>		<u>3,000,000</u>		
<i>US Treasury Notes</i>					
US Treasury Notes	175,550,995	14.30%	181,000,000	0.1318	AA+/Aaa
<i>Total US Treasury Notes</i>	<u>175,550,995</u>		<u>181,000,000</u>		
<i>Money Market Funds</i>					
LOGIC Pool	35,620,941	2.90%	35,620,941	N/A	AAAm
Lone Star Pool	61,033,788	4.97%	61,033,788	N/A	AAAm/AAAmmf
Texas Class Pool	55,887,158	4.55%	55,887,158	N/A	AAAm
TRA - Cadence (DDA)	307,860,203	25.08%	307,860,203	N/A	N/A
MMF - TRA Trust DSR (BNYM)	127,959,360	10.43%	127,959,360	N/A	N/A
<i>Total Money Market Funds</i>	<u>588,361,450</u>		<u>588,361,450</u>		
Total Investments & Cash Equivalents	<u>1,227,281,653</u>	<u>100.00%</u>	<u>\$ 1,240,262,700</u>		
<i>Demand and Time Deposits</i>	<u>5,882,071</u>				
Total Cash, Cash Equivalents & Investments	<u>\$ 1,233,163,724</u>				

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 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 September 30, 2023, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Municipal Commercial Paper, Local Governments, U.S. Treasury Notes and Bills totaling \$638,920,203 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 \$588,361,450 have been valued at amortized cost or fair value in accordance with GASB No. 79. The recorded position of the pool for Texas Class is measured at net asset value to approximate fair value, which is designed to approximate the share value; however, the net asset value is not guaranteed or insured. For investment pools shown, TRA-Cadence Money Market Fund portfolio has been valued at fair value using Level 2 inputs. The Lone Star and LOGIC are valued at amortized cost, which approximates fair value. TRA- 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 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, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, 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 September 30, 2023, the Authority 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 minimize 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 rating firm.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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 September 30, 2023, all of the Authority’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 Authority 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 and Authority’s 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 that positions maturities that occur in regular intervals, providing a known stream of cash. 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
Toll Road Project Funds	Matching/Barbell/Laddered	5	\$ 429,375,000	0.97
Toll Road Renewal/Replacement	Matching/Barbell/Laddered	5	182,950,000	1.42
Toll Road Bond Reserve	Matching	Final maturity of the bonds	39,576,250	0.63
Money Market Mutual Funds	N/A	N/A	588,361,450	N/A
			<u>\$ 1,240,262,700</u>	

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

3. OTHER RECEIVABLES AND UNEARNED REVENUE

Other receivables as of September 30, 2023 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$117,211,061 (which includes the lease amount noted below) is reported net of allowance for doubtful accounts of \$616,945,666.

The Authority leases a portion of its property to various third parties, the terms of which expire 2024. The leases with payments that increase annually are based upon the Consumer Price Index (Index) and were measured based upon the Index at lease commencement. Leases are recorded at the present value to be received under all leases other than short term leases. Short term leases are those with a maximum period of 12 months and are recognized as collected. The total lease receivable as of September 30, 2023 was \$4,296.

Proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the fiscal year ending, September 30, 2023, the Authority reported \$95,275,870 in unearned EZ tag revenues.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

4. NOTES RECEIVABLE

Notes receivable as of September 30, 2023 are comprised of the following:

	Outstanding October 1, 2022	Issued	Receipts	Outstanding September 30, 2023
Sam Houston Race Park	\$ 32,789	\$ 985	\$ 26,193	\$ 7,581
Notes receivable	\$ 32,789	\$ 985	\$ 26,193	\$ 7,581

5. PREPAIDS AND OTHER ASSETS

Prepays and other assets as of September 30, 2023 are comprised of the following:

Prepaid surety expense	\$ 18,562
Prepaid office expenses	2,766,606
Total	\$ 2,785,168

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

	Balance				Balance
	October 1, 2022	Additions	Deletions	Transfers	September 30, 2023
Capital assets not being depreciated:					
Land	\$ 383,609,851	\$ 1,215,152	\$ -	\$ -	\$ 384,825,003
Easement	1,989,062	-	-	-	1,989,062
Construction in progress	1,055,326,095	183,456,375	(3,127,874)	(228,132,865)	1,007,521,731
Total capital assets not depreciated	<u>1,440,925,008</u>	<u>184,671,527</u>	<u>(3,127,874)</u>	<u>(228,132,865)</u>	<u>1,394,335,796</u>
Depreciable Capital assets:					
License agreement	237,500,000	-	-	-	237,500,000
Intangible Assets - software	42,470,466	1,067,500	-	-	43,537,966
Land improvements	18,865,805	-	-	-	18,865,805
Infrastructure	3,370,887,637	-	-	228,132,865	3,599,020,502
Other tangible assets	7,489,687	-	(590,746)	-	6,898,941
Buildings	20,728,052	-	-	-	20,728,052
Equipment	60,309,328	3,841,162	(5,769,256)	-	58,381,234
Total Depreciable capital assets:	<u>3,758,250,975</u>	<u>4,908,662</u>	<u>(6,360,002)</u>	<u>228,132,865</u>	<u>3,984,932,500</u>
Less accumulated depreciation/amortization for:					
License agreement/Intangible Asset	(121,415,466)	(7,315,000)	-	-	(128,730,466)
Land improvements	(10,046,812)	(939,517)	-	-	(10,986,329)
Infrastructure	(1,797,925,249)	(93,839,592)	-	-	(1,891,764,841)
Other tangible assets	(7,182,737)	(14,227)	301,965	-	(6,894,999)
Buildings	(5,749,109)	(454,644)	-	-	(6,203,753)
Equipment	(46,407,253)	(4,716,136)	5,150,342	-	(45,973,047)
	<u>(1,988,726,626)</u>	<u>(107,279,116)</u>	<u>5,452,307</u>	<u>-</u>	<u>(2,090,553,435)</u>
Total capital assets being depreciated, net	<u>1,769,524,349</u>	<u>(102,370,454)</u>	<u>(907,695)</u>	<u>228,132,865</u>	<u>1,894,379,065</u>
Lease right-to-use assets:					
Buildings	3,949,223	24,655,494	-	-	28,604,717
Equipment	121,530	-	-	-	121,530
Total lease right-to-use assets	<u>4,070,753</u>	<u>24,655,494</u>	<u>-</u>	<u>-</u>	<u>28,726,247</u>
Less accumulated amortization for:					
Buildings	(542,008)	(2,614,100)	-	-	(3,156,108)
Equipment	(29,831)	(42,800)	-	-	(72,631)
Total accumulated amortization	<u>(571,839)</u>	<u>(2,656,900)</u>	<u>-</u>	<u>-</u>	<u>(3,228,739)</u>
Lease right-to-use assets, net	<u>3,498,914</u>	<u>21,998,594</u>	<u>-</u>	<u>-</u>	<u>25,497,508</u>
Subscription right-to-use assets*:	11,555,814	470,424	-	-	12,026,238
Less accumulated amortization for:					
Subscription right-to-use assets	-	(3,829,466)	-	-	(3,829,466)
Subscription right-to-use assets, net	<u>11,555,814</u>	<u>(3,359,042)</u>	<u>-</u>	<u>-</u>	<u>8,196,772</u>
Total capital assets, net	<u>\$ 3,225,504,085</u>	<u>\$ 100,940,625</u>	<u>\$ (4,035,569)</u>	<u>\$ -</u>	<u>\$ 3,322,409,141</u>

*The Authority increased the beginning balance as of October 1, 2022 to conform to provisions of GASB 96, Subscriptions, as identified in Note 1

7. LONG-TERM LIABILITIES

The Authority has financed the Toll Road Projects with a combination of unlimited tax and subordinate lien revenue bonds, senior and first lien revenue bonds, and commercial paper. The proceeds from such bonds, including the interest earned thereon, are being used to finance the construction costs, the related debt service, and a portion of the maintenance and operating expenses.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Changes in the Authority's Long-Term Liabilities for fiscal year 2022-2023 were as follows:

	Outstanding October 1, 2022	Issued/ Increased	Paid/ Decreased	Outstanding September 30, 2023	Due Within One Year
Senior Lien Revenue Bonds	\$ 1,354,480,000	\$ -	\$ (203,065,000)	\$ 1,151,415,000	\$ 60,635,000
First Lien Revenue Bonds	607,170,000	119,495,000	(9,325,000)	717,340,000	11,640,000
Tax Bonds	151,335,000	-	(20,700,000)	130,635,000	21,165,000
Total Bond Principal	2,112,985,000	119,495,000	(233,090,000)	1,999,390,000	93,440,000
Unamortized Premium, Senior Revenue Bonds	131,116,256	-	(14,663,865)	116,452,391	-
Unamortized Premium, First Revenue Bonds	110,389,978	15,598,203	(11,560,339)	114,427,842	-
Unamortized Premium, Tax Bonds	4,262,987	-	(689,463)	3,573,524	-
Accrued Interest Payable	11,489,378	96,622,432	(96,427,704)	11,684,106	11,684,106
Total Bonds Payable	2,370,243,599	231,715,635	(356,431,371)	2,245,527,863	105,124,106
Commercial Paper Payable	36,600,000	75,330,000	-	111,930,000	-
Compensatory Time Payable	1,501,867	1,262,279	(1,241,273)	1,522,873	763,325
Lease Payable	3,541,930	24,655,494	(2,387,927)	25,809,497	3,880,741
Subscription Payable*	11,555,814	470,424	(3,700,080)	8,326,158	4,001,346
Total OPEB Liability	117,667,442	2,608,749	-	120,276,191	2,106,000
Net Pension Liability	-	24,261,768	-	24,261,768	-
Hedging derivative instruments	16,344,226	-	(16,344,226)	-	-
Pollution Remediation Obligation	-	1,224,000	-	1,224,000	-
Totals - Toll Road Fund Liabilities	<u>\$ 2,557,454,878</u>	<u>\$ 361,528,349</u>	<u>\$ (380,104,877)</u>	<u>\$ 2,538,878,350</u>	<u>\$ 115,875,518</u>

*The Authority increased the beginning balance as of October 1, 2022 to conform to provisions of GASB 96, Subscriptions, as identified in Note 1

A. Outstanding Bonded Debt – September 30, 2023 – Pertinent Information by Issue

Issue	Original Issue Amount	Interest Rate Range %	Year Issued	Maturity Range	Outstanding Balance September 30, 2023
Senior Lien Revenue Bonds					
Refunding Series 2015B	\$ 161,575,000	5.00	2015	2020-2036	\$ 133,450,000
Refunding Series 2016A	530,105,000	2.75-5.00	2016	2019-2047	459,365,000
Refunding Series 2018A	559,900,000	4.00-5.00	2018	2019-2048	478,850,000
Refunding Series 2019A	90,255,000	3.00-5.00	2019	2020-2049	79,750,000
Total Principal Senior Lien Revenue Bonds					1,151,415,000
Unamortized Premiums and Discounts					116,452,391
Total Senior Lien Revenue Bonds					<u>\$ 1,267,867,391</u>
First Lien Revenue Bonds					
Refunding Series 2021	\$ 424,925,000	3.00-5.00	2021	2021-2050	\$ 405,830,000
Refunding Series 2022A	194,030,000	5.00	2022	2022-2033	192,015,000
Refunding Series 2023A	119,495,000	5.00	2023	2024-2035	119,495,000
Total Principal First Lien Revenue Bonds					717,340,000
Unamortized Premiums and Discounts					114,427,842
Total First Lien Revenue Bonds					<u>\$ 831,767,842</u>
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1997	\$ 150,395,000	5.125	1997	2014-2024	\$ 9,115,000
Refunding Series 2007C	321,745,000	5.25	2007	2014-2033	121,520,000
Total Principal Tax Bonds					130,635,000
Unamortized Premiums and Discounts					3,573,524
Total Tax Bonds					<u>\$ 134,208,524</u>

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

B. Covenants and Conditions

The Senior Lien Revenue Bonds and First Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County’s unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds and First Lien Revenue Bonds. The Authority has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds and First Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 5.98 as of September 30, 2023.

C. Debt Service Requirements

Total interest expense was \$73,091,762 for the fiscal year ended September 30, 2023. The following are the debt service requirements for bonds payable:

Year	Principal	Interest	Total
2024	\$ 93,440,000	\$ 93,472,844	\$ 186,912,844
2025	89,475,000	88,759,325	178,234,325
2026	94,370,000	84,255,400	178,625,400
2027	98,455,000	79,556,675	178,011,675
2028	102,770,000	74,603,638	177,373,638
2029-2033	587,160,000	290,735,112	877,895,112
2034-2038	318,045,000	170,635,350	488,680,350
2039-2043	264,870,000	107,459,000	372,329,000
2044-2048	302,045,000	45,475,800	347,520,800
2049-2050	48,760,000	2,700,050	51,460,050
	<u>\$ 1,999,390,000</u>	<u>\$ 1,037,653,194</u>	<u>\$ 3,037,043,194</u>

D. Unissued Authorized Bonds

In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County’s traffic problems by authorizing the County to issue up to \$900,000,000 of bonds secured by a pledged of its unlimited ad valorem taxing power. As of September 30, 2023, the unissued authorized bonds for the toll road project are \$15,148,000.

E. Defeasance of Debt

In prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of September 30, 2023 there was no outstanding principal balance of these defeased bonds in trust.

F. Debt Issuances

On June 14, 2023, the County released \$2,700,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On June 14, 2023, the County released \$2,500,000 in US Treasury bill pledged to Citibank as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

On June 28, 2023, the County issued \$119,495,000 in Toll Road First Lien Revenue Refunding Bonds, Series 2023A, to refund the County's outstanding Toll Road Senior Lien Revenue Bonds, Series 2007B, terminate Senior Lien Swap Agreements, and to pay cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of \$15,598,203. The interest accrues semiannually, and the bonds mature in 2035. The refunding resulted in savings of \$30,121,883 due to a decrease in cash flow requirements and had an economic gain of \$912,897.

G. Commercial Paper

In addition to the outstanding long-term debt of the Toll Road, the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. In 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. On May 31, 2021 Series E-2 was subsequently terminated. On May 2, 2022, Series E-1 was also terminated. On March 22, 2022, Commissioners Court authorized a new commercial paper program, for \$200 million, designated as the Harris County Toll Road System First Lien Revenue Commercial Paper Notes, Series K, to finance capital projects of Toll Road. On May 16, 2023, Commissioners Court authorized a second commercial paper program, for \$150 million, designated as the Harris County Toll Road System First Lien Revenue Commercial Paper Notes, Series K-2. As of September 30, 2023, Toll Road had outstanding \$111,930,000 of commercial paper combined in Series K and Series K-2 Notes.

For Commercial Paper Series K, Toll Road entered into a Letter of Credit Reimbursement Agreement (the "Series K Letter of Credit") with PNC Bank, National Association, whereby the Bank supports the Series K 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 \$14,794,521 which is 270 days' accrued interest on such principal amount at the rate of ten percent (10%) per annum computed on a 365 day basis) for the timely payment of the principal of and interest on the Series K Notes at maturity. The Series K Letter of Credit expires April 22, 2025. For this reimbursement agreement the Authority will be assessed a fee of 0.25% per annum on the stated amount of the letter of credit. The Authority also agrees to pay the Bank a non-refundable drawing fee of \$350 for each drawing under the letter of credit. If converted to a term loan, the principal amount of each term loan will be paid in twelve (12) substantially equal quarterly installments on each Amortization Payment Date, commencing with the first such installment on the Term Loan Commencement Date.

For Commercial Paper Series K-2, Toll Road entered into a Letter of Credit Reimbursement Agreement (the "Series K-2 Letter of Credit") with Barclays Bank PLC, whereby the Bank supports the Series K-2 Notes by issuing a letter of credit in the original stated amount of \$161,095,891 (representing an amount supporting the total aggregate principal amount of \$150,000,000 plus \$11,095,891 which is 270 days' accrued interest on such principal amount at the rate of ten percent (10%) per annum calculated on the basis of a 365 day year) for the timely payment of the principal of and interest on the Series K-2 Notes at maturity. The Series K-2 Letter of Credit expires June 19, 2026. For this reimbursement agreement the Authority will be assessed a fee of 0.29% per annum on the stated amount of the letter of credit. The Authority also agrees to pay the Bank a non-refundable drawing fee of \$250 for each drawing under the letter of credit. If converted to a term loan, the principal amount of each term loan will be paid in equal semi-annual installments.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

DEBT SERVICE TO MATURITY-COMMERCIAL PAPER

As of September 30, 2023, the Authority had \$111,930,000 outstanding principal balance on the commercial paper lines of credit.

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ -	\$ -
2025	-	2,824,441	2,824,441
2026	37,143,333	13,886,835	51,030,168
2027	37,268,333	8,290,231	45,558,564
2028	37,310,000	2,636,597	39,946,597
2029	166,667	22,179	188,846
2030	41,667	1,584	43,251
	<u>\$ 111,930,000</u>	<u>\$ 27,661,867</u>	<u>\$ 139,591,867</u>

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. There were no arbitrage rebate payments made during fiscal year 2023. As of September 30, 2023, there were no liabilities for arbitrage rebate on governmental debt and no 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 Swap

The Authority entered interest rate swaps with Citibank, N.A., New York, and JP Morgan Chase Bank, National Association, relating to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market. These Senior Lien Swap Agreements were terminated on June 28, 2023.

J. Subsequent Debt Related Activity

No subsequent events noted.

K. Lease Liability

The Authority leases buildings and equipment, the terms of which expire in various years through 2033. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

The following is a schedule by year of payments under the leases as of September 30, 2023:

Fiscal Year Ending September 30,	Total to Be Paid	Principal	Interest
2024	\$ 4,456,052	\$ 3,880,741	\$ 575,311
2025	4,326,357	3,808,092	518,265
2026	3,942,329	3,511,138	431,191
2027	3,709,275	3,362,322	346,953
2028	2,474,466	2,200,157	274,309
2029-2033	9,664,805	9,047,047	617,758
	\$ 28,573,284	\$25,809,497	\$ 2,763,787

L. Subscription Liability

The Authority has multi-year information technology subscriptions, the terms of which expire in various years through 2026. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the leases as of September 30, 2023:

Fiscal Year Ending September 30,	Total to Be Paid	Principal	Interest
2024	\$ 4,190,725	\$ 4,001,346	\$ 189,379
2025	3,018,434	2,942,158	76,276
2026	1,401,667	1,382,654	19,013
	\$ 8,610,826	\$ 8,326,158	\$ 284,668

8. 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 an annual comprehensive financial report on a calendar year basis. The annual report is available upon written request from the TCDRS, Finance Division, Barton Oaks Plaza IV, Ste. 500, 901 S. MoPac Expy., Austin, TX 78746 or the website at www.TCDRS.org.

Harris County’s pension plan includes Toll Road and three other participating employers. Toll Road Authority 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. The Authority’s allocated share was 3.40%.

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.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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:

	12/31/21	12/31/22
Inactive employees or beneficiaries currently receiving benefits	10,196	10,705
Inactive employees entitled but not yet receiving benefits	9,800	11,802
Active employees	19,921	19,088
Total	39,917	41,595

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 15.1% of covered payroll for the months of the calendar year 2021, 15.7% for the calendar year 2022 and the first 9 months of 2023.

The contribution rate payable by the employee members for 2022 and 2023 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 ended September 30, 2023, the net pension (asset)/liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	4.7%
Investment rate of return	7.6%
(Investment rate of return is gross of administrative expenses)	

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 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 3.00% (made up of 2.50%

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.

Mortality rates for depositing members were 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Service retirees, beneficiaries, and non-depositing members were 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. General Disabled retirees were 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial cost method was Entry Age Normal, as required by GASB No. 68. The actuarial assumptions used in the December 31, 2022 valuation for the County were developed from an actuarial experience investigation of TCDRS over the years 2017-2020, 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 2023 information for a 10-year time horizon and are re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption is reviewed annually for continued compliance with relevant standards of practice.

The following target asset allocation was adopted by the TCDRS board in March 2023. The geometric real rate of return is net of inflation, assumed at 2.3%.

Asset Class	Target Allocation	Geometric Real Rate of Return
U.S. Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities - Developed Markets	5.00%	4.95%
International Equities - Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.6%. 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 closed layered periods.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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 (asset)/liability of the employer is equal to the long-term assumed rate of return on investments.

Changes in Net Pension Liability/(Asset) (amounts in thousands):

	Harris County		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2021	\$ 8,066,367	\$ 8,325,113	\$ (258,746)
Changes for the year:			
Service cost	202,068	-	202,068
Interest on total pension liability	612,984	-	612,984
Effect of economic/demographic gains or losses	(48,873)	-	(48,873)
Refund of contributions	(16,227)	(16,227)	-
Benefit payments	(397,052)	(397,052)	-
Administrative expenses	-	(4,516)	4,516
Member contributions	-	88,572	(88,572)
Net investment loss	-	(477,235)	477,235
Employer contributions	-	198,225	(198,225)
Other	-	(10,981)	10,981
Balances as of December 31, 2022	<u>\$ 8,419,267</u>	<u>\$ 7,705,899</u>	<u>\$ 713,368</u>

The net pension liability allocated to the Authority at September 30, 2023 was \$24,261,768 and the County contributions for the same period was \$6,741,683.

Sensitivity Analysis. The following presents the net pension (asset)/liability of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate (amounts in thousands):

Harris County:

	1% Decrease	Current	1% Increase
	6.60%	Discount Rate 7.60%	8.60%
Total pension liability	\$ 9,534,731	\$ 8,419,267	\$ 7,485,239
Fiduciary net position	7,705,899	7,705,899	7,705,899
Net pension (asset)/liability	<u>\$ 1,828,832</u>	<u>\$ 713,368</u>	<u>\$ (220,660)</u>

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions. For the fiscal year ending September 30, 2023, the County recognized pension expense of \$196,767,619, the Authority's share was \$6,415,031. The County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

Harris County:	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 45,702	\$ 13,181
Changes of assumptions	-	222,906
Net difference between projected and actual earnings	-	140,738
Contributions made subsequent to the measurement date	-	151,039
Total	\$ 45,702	\$ 527,864

Toll Road Authority's Allocation:	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,554	\$ 448
Changes of assumptions	-	7,581
Net difference between projected and actual earnings	-	4,787
Contributions made subsequent to the measurement date	-	5,645
Total	\$ 1,554	\$ 18,461

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense for the Harris County plan as follows (amounts in thousands):

County	Toll Road
Fiscal Year Ending September 30:	Fiscal Year Ending September 30:
2024 \$ (31,790)	2024 \$ (1,081)
2025 62,288	2025 2,118
2026 89,471	2026 3,043
2027 211,154	2027 7,182
2028 -	2028 -
Total <u>\$ 331,123</u>	Total <u>\$ 11,262</u>

Payable to the Pension Plan. At September 30, 2023, the County reported a payable of \$33,821,818 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 and thus is presented below for consideration as part of the total pension balances. The net pension liability for CS at September 30, 2023 was \$16,170,323.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

The deferred inflows and outflows reported for CS at September 30, 2023 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,036	\$ 298
Changes of assumptions	-	5,053
Net difference between projected and actual earnings	-	3,190
Contributions made subsequent to the measurement date	-	3,610
Total	\$ 1,036	\$ 12,151

For the measurement period ended December 31, 2022, CS recognized pension expense of \$3,543,853.

The Required Supplementary Information (“RSI”) following the notes to the financial statements contains: the schedule of changes in the County’s net pension (asset)/liability and related ratios, and the schedule of County contributions.

9. 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: Harris County, Flood Control District, Toll Road Authority, 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.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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 than 70 Points	0%	50%	50%	50%	50%
70-74 Points	0%	50%	80%	80%	80%
75 Points or More	0%	50%	80%	80%	100%

Harris County only pays 50% of the dependent premium if: 1) the dependent was insured at least one year before the employee retired; and 2) if the retiree qualifies for 100% contribution. If an employee retires paying a portion of their own premium (i.e., 20%) then they would pay a proportionately higher premium for their dependents.

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/prescription 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.

Retiree Healthcare Contribution Policy Update dated October 23, 2018:

The following contribution rules are effective March 1, 2019.

Current retirees are “grandfathered” under the contribution rule they retired under.

Employees hired prior to March 1, 2007 have to attain a combination of age plus a minimum of 10 years of non-forfeited Harris County/TCDRS service equal to 80 or be at least age 65 or Medicare age, with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive the approved County contribution for retiree and dependent healthcare coverage.

Employees hired after March 1, 2007 have to attain a combination of age plus a minimum of 20 years of non-forfeited Harris County/TCDRS service equal to 80 or be at least age 65 or Medicare age, with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive the approved County

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

contribution for retiree and dependent healthcare coverage.

All employees will be required to have had continuous employment as a Regular employee or to have been covered under the Harris County medical plan as an Active Employee for four consecutive years prior to retirement to be eligible for any County premium contribution. When calculating whether the retiree meets this requirement, the following absences are included: 1) Qualified leave of absence (LOA) only if the person elected COBRA coverage during the LOA; (2) Approved Military Leave; and (3) A break in service of no more than four months only if the person elected COBRA coverage.

Effective March 1, 2019, employees who have fully repurchased previously forfeited Harris County/TCDRS service are allowed to have that service included towards eligibility for County retiree healthcare contributions. Repurchased amounts must be the minimum of what the employee had withdrew from their account at the time of separation. Partial repayments of previously forfeited service are eligible if made prior to October 23, 2018.

Grandfathered employees are those who were retired or eligible to retire under the existing rules as of February 28, 2011. It was assumed that an additional contribution for non-grandfathered, under age 65 retirees would be a minimum of the Federal Medicare Part B premium at the beginning of the plan year. In 2016 Commissioners Court approved this amount to be \$100.

On February 22, 2022, Commissioners Court approved to provide Harris County retiree health benefits and contributions to Harris County Sheriff’s Office correctional healthcare employees who become employed with Harris Health System or the University of Houston and who are within 10 years of their retiree health eligibility date and have at least 10 years of Harris County service. Changes in membership or the impact of extending retiree benefit will be reflected in the Total OPEB Liability when the change or impact can be determinable.

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

Plan Membership

At March 1, 2022, the most recent valuation date, membership consisted of the following:

Inactive plan members or beneficiaries	
currently receiving benefit payments	6,127
Active plan members	<u>17,329</u>
	<u><u>23,456</u></u>

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.

Total OPEB Liability

The County’s Total OPEB Liability as of September 30, 2023 was determined by an actuarial valuation as of March 1, 2022. 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:

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	2.75 percent
Healthcare cost trend rate	6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years
Preretirement Mortality	
Males	135% of Pub-2010 General Employees Headcount-Weighted.
Females	120% of Pub-2010 General Employees Headcount-Weighted.
Postretirement Mortality	
Males	135% of Pub-2010 General Retirees Headcount-Weighted.
Females	120% of Pub-2010 General Retirees Headcount-Weighted.
Mortality Improvement:	100% of the MP-2021 Ultimate Projection Scale.

Actuarial assumptions used in the March 1, 2022 valuation were based on a review of plan experience during the period March 1, 2020 to February 28, 2022.

Discount Rate

For OPEB Plans That Are Not Administered through Trusts That Meet the Criteria in Paragraph 4, GASB 75 requires a discount rate that is a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The discount rate used to measure the County's Total OPEB liability is based on the following information:

Reporting Date	Measurement Date	Fidelity GO AA 20 Years Municipal Index	Discount Rate ^a
September 30, 2022	September 30, 2022	4.40%	4.50%
September 30, 2023	September 30, 2023	4.63%	4.75%

^a Municipal Index rounded to nearest 25 basis points

Schedule of Changes in Total OPEB Liability (October 1, 2022 to September 30, 2023)

	<u>Increase (Decrease)</u>
	Total OPEB Liability (a)
Balances as of October 1, 2022	\$ 2,779,840,257
Changes for the year:	
Service cost	105,267,741
Interest	128,191,762
Changes of assumptions	(117,204,683)
Benefit payments ⁽¹⁾	(73,614,398)
Balances as of September 30, 2023	<u>\$ 2,822,480,679</u>

⁽¹⁾ Includes \$73,614,398 of pay-as-you-go contributions.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

There was an increase in the Total OPEB liability mainly due to the increase in interest cost during the fiscal year.

Sensitivity of the Total OPEB liability to changes in the discount rate. The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.75 percent) or 1-percentage-point higher (5.75 percent) than the current discount rate:

Harris County:	1% Decrease 3.75%	Discount Rate 4.75%	1% Increase 5.75%
Total OPEB liability	\$ 3,334,862,182	\$ 2,882,480,679	\$ 2,414,579,462
Toll Road:	1% Decrease 3.75%	Discount Rate 4.75%	1% Increase 5.75%
Total OPEB liability	\$ 142,003,649	\$ 120,276,191	\$ 102,909,899

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates. The following presents the Total OPEB liability, as well as what the Total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Harris County:	1% Decrease ⁽²⁾	Trend Rate	1% Increase ⁽³⁾
Total OPEB liability	\$ 2,338,843,214	\$ 2,822,480,679	\$ 3,454,426,719
Toll Road:	1% Decrease ⁽²⁾	Trend Rate	1% Increase ⁽³⁾
Total OPEB liability	\$ 99,480,626	\$ 120,276,191	\$ 147,321,010

⁽²⁾ Trend rate for each future year reduced by 1.00%.

⁽³⁾ Trend rate for each future year increased by 1.00%.

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

For the fiscal year ended September 30, 2023, the County recognized OPEB expense of \$214,058,165, and the Authority's share was \$9,476,699. At September 30, 2023, the County's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 183,225,779
Changes in assumptions or other inputs	1,262,746,532	730,737,050
Total	<u>\$ 1,262,746,532</u>	<u>\$ 913,962,829</u>

Toll Road's Allocation:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,831,907
Changes in assumptions or other inputs	54,069,211	31,235,038
Total	<u>\$ 54,069,211</u>	<u>\$ 39,066,945</u>

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

Harris County	Toll Road
Fiscal Year Ending September 30:	Fiscal Year Ending September 30:
2024 \$ (19,401,338)	2024 \$ (834,512)
2025 (19,401,338)	2025 (834,512)
2026 (19,401,338)	2026 (834,512)
2027 (26,594,108)	2027 (1,143,895)
2028 (105,714,619)	2028 (4,547,113)
Thereafter (158,270,962)	Thereafter (6,807,722)
\$ (348,783,703)	\$ (15,002,266)

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 Total OPEB liability for CS and 911 at September 30, 2023 is \$16,763,930.

The deferred inflows and outflows reported for CS and 911 at September 30, 2023 were:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 995,289
Changes in assumptions or other inputs	5,396,544	3,969,392
Total	\$ 5,396,544	\$ 4,964,681

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 and this is not a practice the County participates in. 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 Annual Comprehensive 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.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

10. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of \$230,667,195.

Litigation and Claims

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

Pollution Remediation

The Authority is subject to numerous Federal, State and Local environmental laws and regulations. GAAP established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The Authority recorded pollution remediation liability of \$1,224,000 in the financial statements.

METRO Agreement

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.

11. TRANSFERS AND ADVANCES

Transfers out in the amount of \$369.3 million for the fiscal year ended September 30, 2023 which consisted of transfers of surplus revenue of the HCTRA toll road system, including the annual mobility transfer, approved by Commissioners Court in accordance with the existing bond indenture and Section 284.0031, Transportation Code, to pay or finance costs of roads, streets, highways, or other related facilities that are not part of the Authority's toll road system.

12. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022* – (“GASB 99”), objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Except what was implemented as of September 30, 2022, the requirements guarantees and reporting of derivative instruments will be implemented by the Authority in the fiscal year ending September 30, 2024 and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – (“GASB 100”), The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 will be

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

implemented by the Authority as of the year ended September 30, 2024 and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* – (“GASB 101”), The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. GASB 101 will be implemented by the Authority as of the year ended September 30, 2025 and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – (“GASB 102”), The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. GASB 102 will be implemented by the Authority as of the year ended September 30, 2025 and the impact has not yet been determined.

13. RESTATEMENT

Subsequent to the issuance of the September 30, 2022 financial statements, the Authority identified two errors in construction in progress. Two construction projects totaling \$200,076,492 were completed in prior years and not transferred timely to infrastructure and software. Associated depreciation/amortization of \$63,344,342 was not recorded on the two assets placed in service. Additionally, consulting expenses of \$46,178,896 were capitalized in error in prior years. The Authority has restated beginning net position and related notes for the year ended September 30, 2023, to correct these errors.

The overall impact to the changes in net position on the Statement of Revenues, Expenses, and Changes in Net Position for the year ending September 30, 2022 is \$14,400,815.

The effect of the correction on beginning net position is detailed below:

Statement of Revenues, Expenses and Changes in Net Position	
Net position – beginning of year	\$ 1,998,946,317
Correction of errors	(109,523,238)
Net position – beginning of year, as restated	<u>\$ 1,889,423,079</u>

The table below represents the impacts of the error to the opening balances as presented within Footnote 6:

	<u>As Reported 9/30/2022</u>	<u>Correction of Errors</u>	<u>Restated 9/30/2022</u>
Construction in Progress	1,301,581,483	(246,255,388)	1,055,326,095
Intangible Assets - Software	-	42,470,466	42,470,466
Infrastructure	3,213,281,611	157,606,026	3,370,887,637
Accumulated Depreciation/Amortization:			
License agreement/Intangible asset - Software	(78,945,000)	(42,470,466)	(121,415,466)
Infrastructure	(1,777,051,373)	(20,873,876)	(1,797,925,249)

REQUIRED SUPPLEMENTARY INFORMATION

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
A DEPARTMENT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
(Amounts in thousands)

	Year Ended February 28 2019	Year Ended February 29 2020	Year Ended February 28 2021	Year Ended February 28 2022	Period Ended September 30 2022	Year Ended September 30 2023
TOTAL OPEB LIABILITY						
Service cost	\$ 79,163	\$ 81,736	\$ 251,727	\$ 209,843	\$ 118,068	\$ 105,268
Interest cost	70,460	74,038	69,221	91,781	53,688	128,192
Difference between expected and actual experience	-	-	85,687	-	165,734	-
Effect of assumption changes or inputs	-	733,663	397,977	215,789	(1,461,485)	(117,205)
Benefit payments	<u>(55,161)</u>	<u>(58,457)</u>	<u>(62,087)</u>	<u>(67,710)</u>	<u>(40,931)</u>	<u>(73,614)</u>
Net change in total OPEB liability	94,462	830,980	742,525	449,703	(1,164,926)	42,641
Total OPEB liability, beginning	<u>1,827,096</u>	<u>1,921,558</u>	<u>2,752,538</u>	<u>3,495,063</u>	<u>3,944,766</u>	<u>2,779,840</u>
Total OPEB liability, ending (a)	<u>\$ 1,921,558</u>	<u>\$ 2,752,538</u>	<u>\$ 3,495,063</u>	<u>\$ 3,944,766</u>	<u>\$ 2,779,840</u>	<u>\$ 2,822,481</u>
Covered payroll	\$ 1,042,892	\$ 1,112,112	\$ 1,164,474	\$ 1,195,886	\$ 1,214,294	\$ 1,337,993
Total OPEB liability as a % of covered payroll	184.25%	247.51%	300.14%	329.86%	228.93%	210.95%

Notes to schedule

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

The above schedule represents Harris County's Total OPEB Liability as a whole.

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.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
LAST EIGHT MEASUREMENT YEARS
(Amounts in thousands)

	Year Ended December 31							
	2015	2016	2017	2018	2019	2020	2021	2022
TOTAL PENSION LIABILITY								
Service cost	\$ 131,567	\$ 149,334	\$ 146,841	\$ 148,122	\$ 151,462	\$ 163,444	\$ 199,137	\$ 202,068
Interest on total pension liability	411,525	437,989	468,982	496,916	524,085	553,564	583,779	612,984
Effect of plan changes	(28,883)	-	-	-	-	-	-	-
Effect of assumption changes or inputs	51,149	-	10,614	-	-	440,283	4,607	-
Effect of economic/demographic gains	(7,458)	(27,493)	(6,851)	(8,053)	11,006	19,026	(8,769)	(48,873)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)	(347,776)	(382,112)	(413,279)
Net change in total pension liability	337,800	321,610	355,645	348,433	364,644	\$ 828,541	\$ 396,642	\$ 352,900
Total pension liability, beginning	5,113,052	5,450,852	5,772,462	6,128,107	6,476,540	6,841,184	7,669,725	8,066,367
Total pension liability, ending (a)	<u>\$ 5,450,852</u>	<u>\$ 5,772,462</u>	<u>\$ 6,128,107</u>	<u>\$ 6,476,540</u>	<u>\$ 6,841,184</u>	<u>\$ 7,669,725</u>	<u>\$ 8,066,367</u>	<u>\$ 8,419,267</u>
FIDUCIARY NET POSITION								
Employer contributions	\$ 132,346	\$ 136,391	\$ 142,896	\$ 149,663	\$ 167,499	\$ 182,824	\$ 189,304	\$ 198,225
Member contributions	66,878	68,371	71,869	72,343	77,914	85,012	88,129	88,572
Investment income net of investment expenses	(30,646)	349,499	733,526	(107,132)	908,411	656,508	1,509,284	(477,235)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)	(347,776)	(382,113)	(413,279)
Administrative expenses	(3,419)	(3,799)	(3,797)	(4,443)	(4,844)	(5,068)	(4,504)	(4,515)
Other	363	(7,961)	(605)	(1,386)	(1,750)	(1,963)	(1,049)	(10,981)
Net change in fiduciary net position	(54,578)	304,281	679,948	(179,507)	825,321	569,537	1,399,051	(619,213)
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762	5,710,710	5,531,203	6,356,524	6,926,061	8,325,112
Fiduciary net position, ending (b)	<u>\$ 4,726,481</u>	<u>\$ 5,030,762</u>	<u>\$ 5,710,710</u>	<u>\$ 5,531,203</u>	<u>\$ 6,356,524</u>	<u>\$ 6,926,061</u>	<u>\$ 8,325,112</u>	<u>\$ 7,705,899</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 724,371</u>	<u>\$ 741,700</u>	<u>\$ 417,397</u>	<u>\$ 945,337</u>	<u>\$ 484,660</u>	<u>\$ 743,664</u>	<u>\$ (258,745)</u>	<u>\$ 713,368</u>
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%	85.40%	92.92%	90.30%	103.21%	91.53%
Pension covered payroll	\$ 953,501	\$ 974,217	\$ 1,020,708	\$ 1,032,142	\$ 1,110,437	\$ 1,211,895	\$ 1,255,581	\$ 1,263,558
Net pension liability/(asset) as a % of covered payroll	75.97%	76.13%	40.89%	91.59%	43.65%	61.36%	-20.61%	56.46%
Toll Road's Portion:								
Allocated share	3.655%	3.551%	3.761%	3.687%	3.547%	3.457%	3.220%	3.401%
Employer contribution	\$ 4,836,751	\$ 4,843,872	\$ 5,374,391	\$ 5,517,510	\$ 5,940,756	\$ 6,319,736	\$ 6,095,363	\$ 6,741,683
Net pension liability/(asset), ending	\$ 26,473,095	\$ 26,341,183	\$ 15,698,382	\$ 34,851,024	\$ 17,189,553	\$ 25,706,453	\$ (8,331,301)	\$ 24,261,768

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.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
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%
2020	157,570,971	169,342,839	(11,771,868)	1,121,475,025	15.1%
2021	180,814,784	185,368,474	(4,553,690)	1,227,928,655	15.1%
2022 (3)	189,304,375	190,456,110	(1,151,735)	1,261,574,010	15.1%
2023	198,225,380	197,327,647	897,733	1,295,515,500	15.2%

Toll Road is an enterprise fund of the County and is included in the above table. The following table contains Toll Road specific information:

Fiscal Year	Determined Contribution	Employer Contribution	Deficiency (Excess)	Covered Payroll	as a % of Covered Payroll
2015	\$ 3,970,459	\$ 4,112,878	\$ (142,419)	\$ 32,340,485	12.7%
2016	4,836,615	4,696,207	140,408	33,788,248	13.9%
2017	4,843,872	4,905,697	(61,825)	35,040,708	14.0%
2018	5,374,391	5,410,071	(35,680)	38,434,810	14.1%
2019	5,517,510	5,562,930	(45,420)	38,120,469	14.6%
2020	5,940,756	5,994,354	(53,598)	39,711,011	15.1%
2021	6,319,736	6,330,209	(10,473)	41,922,038	15.1%
2022 (3)	6,095,363	6,101,690	(6,327)	40,412,464	15.1%
2023	6,741,683	7,260,139	(518,456)	47,695,046	15.2%

An additional year for the Toll Road Authority will be added as it becomes 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 for the fiscal year.
- (3) As of September 30, 2022 there was no new actuarial valuation for TCDRS. The actual employer contribution for the 7 month period ended September 30, 2022 was \$121,477,256 for the County and \$4,164,508 for the Authority.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated each 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	18.0 years (based on contribution rate calculated in 12/31/2022 valuation)

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	<p>2015: New inflation, mortality and other assumptions were reflected.</p> <p>2017: New mortality assumptions were reflected.</p> <p>2019: New inflation, mortality and other assumptions were reflected.</p> <p>2022: New investment return and inflation assumption were reflected.</p>
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	<p>2015: Employer contributions reflect that the member contribution rate was increased to 7%.</p> <p>2016: No changes in plan provisions were reflected in the Schedule.</p> <p>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.</p> <p>2018: No changes in plan provisions were reflected in the Schedule.</p> <p>2019: No changes in plan provisions were reflected in the Schedule.</p> <p>2020: No changes in plan provisions were reflected in the Schedule.</p> <p>2021: No changes in plan provisions were reflected in the Schedule.</p> <p>2022: No changes in plan provisions were reflected in the Schedule.</p>

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



OTHER INFORMATION

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Traffic Count Table
Schedule 1

Component/Segment (a)	February 29 2020	February 28 2021 (c)	February 28 2022	September 30 2022 (d)	September 30 2023
Hardy Toll Road-North	27,133,093	17,482,032	25,733,847	17,136,593	28,958,568
Hardy Toll Road-South	31,349,380	18,020,039	28,151,054	18,400,673	32,040,280
Sam Houston Tollway-South	84,766,812	70,947,261	87,856,146	51,704,213	87,616,841
Sam Houston Tollway-Central	65,432,094	53,118,468	66,203,205	39,612,189	67,473,544
Sam Houston Tollway-North	84,882,096	71,793,756	86,962,566	52,201,005	88,597,047
Sam Houston Ship Channel Bridge	20,618,900	17,197,670	21,346,309	13,638,387	23,474,721
Sam Houston Tollway-NorthEast	31,693,019	28,650,612	36,018,557	22,352,587	38,707,342
Sam Houston Tollway-East	29,845,978	24,725,798	30,745,492	20,062,138	35,149,200
Sam Houston Tollway-South/East	38,340,883	34,045,308	43,184,077	26,541,363	45,099,587
Sam Houston Tollway-South/West	49,058,170	42,486,196	52,861,714	31,859,245	54,703,087
Westpark Tollway	55,040,590	43,279,703	59,716,443	36,744,797	63,888,381
Fort Bend Parkway Extension (Spur 90A)	5,799,850	4,377,608	5,492,986	3,347,600	5,974,632
Katy Managed Lanes (b)	33,174,279	15,361,123	28,610,665	18,671,130	34,074,955
Tomball Tollway	19,989,976	19,783,085	26,589,442	16,326,520	32,327,669
Total	<u>577,125,120</u>	<u>461,268,659</u>	<u>599,472,503</u>	<u>368,598,440</u>	<u>638,085,854</u>

- (a) Some transactions occurred during toll waiver periods as approved by Commissioners Court.
- (b) Katy Managed Lanes include High Occupancy Vehicle non-toll transactions.
- (c) The significant decrease from 2020 to 2021 is due to the COVID-19 pandemic impact.
- (d) The Authority changed its fiscal year-end from February 28/29 to September 30 year-end. This reflects a short 7-month period, and then subsequent to that a full 12 months ended 9/30.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Rate Schedule
Schedule 2

Toll Rate Schedule Effective September 12, 2015 - September 3, 2023

	Cash/Attended/Automatic Coin Machine Lanes ^(a)	EZ TAG Lanes ^(b)
<u>Two Axle Vehicles</u>		
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.00 - 1.75	\$ 0.50 - 1.50
Sam Houston Ship Channel Bridge	N/A	1.50
Westpark Tollway	N/A	0.40 - 1.50
Fort Bend Parkway Extension (Spur 90A)	1.75	1.50
Katy Managed Lanes	N/A	0.30 - 3.20
Tomball Tollway ^(c)	N/A	0.50 - 1.50
<u>Three to Six Axle Vehicles</u>		
Sam Houston Tollway and Hardy Toll Road Plazas	1.25 - 8.75	1.25 - 8.75
Sam Houston Ship Channel Bridge	N/A	3.50 - 8.75
Westpark Tollway	N/A	1.00 - 8.75
Fort Bend Parkway Extension (Spur 90A)	N/A	3.50 - 8.75
Katy Managed Lanes	N/A	7.00
Tomball Tollway ^(c)	N/A	1.25 - 8.75

- (a) This column consolidates the columns "Attended Lanes" and "Exact Change Lanes" in previously published versions of Schedule 2.
- (b) These rates do not include amounts charged for toll violations.
- (c) In September 2019, the Tomball Tollway Phase 2 opened up two new ramps with toll rates approved by Commissioners Court on July 30, 2019 that conformed with rates established on existing sections of the HCTRA system.

Toll Rate Schedule Effective September 4, 2023

	EZ TAG and other AVI ^{(a)(e)}	Pre-Registered Plate ^(b)	3rd Party Service ^(c)	Invoiced Image ^(d)
<u>Two Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.45 - 1.50	\$ 0.65 - 1.80	\$ 0.70 - 1.88	\$ 1.00 - 3.00
Sam Houston Ship Channel Bridge	1.35 - 1.50	1.80	1.88	3.00
Westpark Tollway	0.36 - 1.50	0.55 - 1.80	0.60 - 1.88	0.90 - 3.00
Fort Bend Parkway Extension (Spur 90A)	1.35 - 1.50	1.80	1.88	3.00
Tomball Tollway	0.45 - 1.50	0.65 - 1.80	0.70 - 1.88	1.00 - 3.00
<u>Three to Eight Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	1.00 - 12.25	1.30 - 14.70	1.40 - 15.33	2.00 - 24.50
Sam Houston Ship Channel Bridge	4.00 - 14.00	4.80 - 16.80	5.00 - 17.50	8.00 - 28.00
Westpark Tollway	1.00 - 12.25	1.30 - 14.70	1.40 - 15.33	2.00 - 24.50
Fort Bend Parkway Extension (Spur 90A)	3.50 - 12.25	4.20 - 14.70	4.38 - 15.33	7.00 - 24.50
Tomball Tollway	1.00 - 12.25	1.30 - 14.70	1.40 - 15.33	2.00 - 24.50

- (a) EZ TAG and Other AVI: A ten percent EZ Tag discount rate applies solely to two-axle vehicles with EZ Tag transponders. Image transactions where license plates are linked to existing AVI accounts are charged the same rate as AVI transactions.
- (b) Pre-Registered Plate: Image transactions for license plate numbers which have been pre-registered in a HCTRA operated guaranteed payment system, which are charged a rate which is 1.2 times the AVI rate.
- (c) 3rd Party Service: Image transactions for which guaranteed toll payment is made by a third-party service provider, which are charged a rate which is 1.25 times the AVI rate.
- (d) Invoiced Image: Image transactions which do not fall into any of the above categories and require HCTRA invoicing of vehicle owners and collection of payments, which are charged a rate which is 2.0 times the AVI rate.
- (e) Katy Managed Lanes: The toll rates for the Katy Managed Lanes are excluded from the table above because they are managed rates set based upon "time of day" pricing and vehicle occupancy, not the Toll Policy.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Selected Financial Information
Schedule 3

	February 29 2020	February 28 2021	February 28 2022	September 30 2022 (b)	September 30 2023
Operating Revenues					
Toll revenues	\$ 854,849,072	\$ 551,278,046	\$ 808,931,881	\$ 532,151,298	\$ 896,351,094
Total Operating Revenues	<u>854,849,072</u>	<u>551,278,046</u>	<u>808,931,881</u>	<u>532,151,298</u>	<u>896,351,094</u>
Operating Expenses					
Salaries	73,982,379	84,322,777	74,372,273	40,501,868	80,707,014
Materials and supplies	13,044,999	16,626,507	26,143,034	13,233,260	29,375,689
Services and fees	159,654,875	143,149,145	164,090,917	106,470,753	213,416,742
Utilities	3,157,418	2,443,633	3,267,504	2,000,241	4,255,000
Transportation and travel	5,432,970	2,636,579	3,639,196	2,430,384	4,356,186
Depreciation and Amortization	91,575,141	76,551,284	109,661,003	52,549,680	113,765,482
Total Operating Expenses	<u>346,847,782</u>	<u>325,729,925</u>	<u>381,173,927</u>	<u>217,186,186</u>	<u>445,876,113</u>
Income from Operations	<u>508,001,290</u>	<u>225,548,121</u>	<u>427,757,954</u>	<u>314,965,112</u>	<u>450,474,981</u>
Nonoperating Revenues					
Investment income	41,977,195	11,028,413	3,289,821	1,562,418	36,900,982
Lease revenues	12,915	8,640	8,640	4,946	8,479
Miscellaneous Income	4,311,958	1,158,968	2,571,734	1,653,068	1,944,159
Gain on disposal of capital assets	-	22,789	56,208	181,937	454,570
Total Nonoperating Revenues	<u>46,302,068</u>	<u>12,218,810</u>	<u>5,926,403</u>	<u>3,402,369</u>	<u>39,308,190</u>
Nonoperating Expenses					
Interest expense	80,383,865	73,769,602	83,303,263	50,466,318	73,091,761
Debt service fees	696,525	2,937,367	34,537	1,540,276	1,435,466
Bond refunding loss amortization	4,055,218	4,056,039	3,487,377	1,676,709	1,315,068
Loss on disposal of capital assets	-	-	-	-	3,846,586
Other nonoperating expenses	6,106,568	-	-	-	-
Total Nonoperating Expenses	<u>91,242,176</u>	<u>80,763,008</u>	<u>86,825,177</u>	<u>53,683,303</u>	<u>79,688,881</u>
Net Income Before					
Transfers Out	463,061,182	157,003,923	346,859,180	264,684,178	410,094,290
Transfers Out (a)	(136,866,977)	(545,148,289)	(253,954,915)	(123,907,635)	(369,300,000)
Change in Net Position	<u>\$ 326,194,205</u>	<u>\$ (388,144,366)</u>	<u>\$ 92,904,265</u>	<u>\$ 140,776,543</u>	<u>\$ 40,794,290</u>

(a) Commissioners Court annually authorizes the transfer of Harris County Toll Road Authority net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility.

(b) The Authority changed its fiscal year-end from February 28/29 to September 30 year-end. This reflects a short 7-month period. and then subsequent to that a full 12 months ended 9/30.

Note: Per Note 13, a restatement occurred as of 9/30/2023 that affected previous fiscal years. These changes are not reflected within this schedule.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Historical Toll Road Operating Results and Coverages
Schedule 4
(Unaudited)

FY/Period Ended	(a)		(b)			Revenues Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
	Project Revenues	Other Earnings	Debt Service Senior & 1st Lien Revenue Bonds	Coverage Ratio On Senior & 1st Lien Revenue Bonds	O & M Expenses			
2015	\$ 688,920,884	\$ 20,493,426	\$ 141,159,484	5.026	\$ 154,740,075	\$ 413,514,751	\$ 82,855,667	4.991
2016	759,275,927	18,979,897	142,199,571	5.473	203,809,584	432,246,669	58,516,811	7.387
2017	774,025,958	26,195,433	148,479,580	5.389	215,238,531	436,503,280	42,799,012	10.199
2018	740,272,353	14,522,053	148,108,962	5.096	184,590,613	422,094,831	41,737,732	10.113
2019	828,453,739	37,403,371	162,106,225	5.341	208,141,566	495,609,319	41,187,050	12.033
2020	854,849,072	41,990,110	158,131,539	5.671	226,793,851	511,913,792	40,622,562	12.602
2021	551,278,046	11,037,053	156,572,551	3.591	226,169,213	179,573,335	40,049,775	4.484
2022	808,931,881	5,926,403	182,769,421	4.458	241,622,422	390,466,441	28,930,612	13.497
9/30/2022	(c) 532,151,298	3,402,369	111,310,085	4.811	144,247,701	279,995,881	24,727,591	11.323
2023	896,351,094	38,853,620	156,393,815	5.980	266,578,207	512,232,692	28,622,863	17.896

(a) Total investment income less interest revenue from the Office Building. Includes lease revenue income and intergovernmental income.

(b) O&M expenses are from TRA Operations and Maintenance funds.

(c) The Authority changed its fiscal year-end from February 28/29 to September 30 year-end. This reflects a short 7-month period, and then subsequent to that a full 12 months ended 9/30.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Revenues by Toll Road Components/Segments
Schedule 5

Component/Segment (a)	February 29 2020	February 28 2021	February 28 2022	September 30 2022 (d)	September 30 2023
Hardy Toll Road-North	\$ 40,617,925	\$ 24,849,542	\$ 40,482,057	\$ 27,909,614	\$ 43,683,294
Hardy Toll Road-South (b)	42,946,953	23,854,633	41,476,186	27,838,734	44,558,745
Sam Houston Tollway-South	115,747,311	83,248,148	120,574,460	74,704,542	116,105,595
Sam Houston Tollway-Central	97,750,459	70,099,960	101,735,211	63,790,529	99,742,384
Sam Houston Tollway-North	122,846,069	90,148,025	129,143,357	81,745,873	126,530,326
Sam Houston Ship Channel Bridge	33,894,005	26,771,401	39,015,609	26,133,519	41,310,317
Sam Houston Tollway-East	44,351,041	32,271,153	46,928,255	32,118,434	51,962,394
Sam Houston Tollway-South/East	56,880,435	43,726,878	65,054,773	42,165,941	66,099,847
Sam Houston Tollway-South/West	66,470,743	48,895,404	72,607,308	46,400,924	73,729,011
Sam Houston Tollway-North/East	41,792,403	34,141,237	49,348,796	32,190,129	51,673,029
Westpark Tollway	66,271,270	47,193,811	73,466,948	47,010,044	76,297,447
Fort Bend Parkway Extension (Spur 90A)	8,273,271	5,707,999	8,149,768	5,078,911	8,474,676
Katy Managed Lanes	20,736,704	8,867,781	18,648,110	12,399,470	20,442,233
Tomball Tollway	29,046,504	25,223,306	37,611,849	23,569,371	44,165,933
Administration (c)	42,324,975	(33,242,723)	(67,179,469)	(32,512,204)	(10,553,090)
IOP-CTRMA	1,012,457	783,391	1,407,012	965,522	1,786,141
IOP-Fort Bend County	4,657,515	3,580,328	4,751,940	2,943,124	5,391,543
IOP-KTA	34,808	31,769	44,123	30,059	54,360
IOP-MCTRA	91,210	784,863	1,228,090	812,774	1,598,189
IOP-METRO	647,665	160,008	357,013	266,379	531,967
IOP-NTTA	4,247,555	3,300,657	4,880,037	3,507,770	6,605,113
IOP-TTA	14,161,252	10,407,622	15,601,249	10,306,606	20,454,626
IOP-OTA	46,542	51,538	88,696	84,288	250,664
IOP - BCTRA	-	114,515	794,878	632,924	1,229,074
IOP - BTG	-	306,799	2,715,625	2,058,021	4,227,276
Total	<u>\$ 854,849,072</u>	<u>\$ 551,278,046</u>	<u>\$ 808,931,881</u>	<u>\$ 532,151,298</u>	<u>\$ 896,351,094</u>

- (a) IOP toll revenue is accounted for in the respective Toll Road Toll Plaza for each IOP Agency during FY 2018-FY2022. IOP toll revenue and IOP revenues are attributable to the Toll Interoperability Program, pursuant to various agreements.
- (b) Includes toll revenues collected for the Airport Connector.
- (c) During the COVID-19 emergency declaration, administrative fees associated to violations were waived and no related revenue was generated. This consists of allowance for uncollectible accounts on toll violation (VEC) revenue administrative fees (excluding tolls), EZ tag sales fees, and other miscellaneous revenues.
- (d) The Authority changed its fiscal year-end from February 28/29 to September 30 year-end. This reflects a short 7-month period, and then subsequent to that a full 12 months ended 9/30.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Bonds Debt Service Requirements
Schedule 6

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior & 1st Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 21,165,000	\$ 6,846,944	\$ 28,011,944	\$ 72,275,000	\$ 86,625,900	\$ 158,900,900	\$ 93,440,000	\$ 93,472,844	\$ 186,912,844
2025	12,070,000	5,747,175	17,817,175	77,405,000	83,012,150	160,417,150	89,475,000	88,759,325	178,234,325
2026	12,090,000	5,113,500	17,203,500	82,280,000	79,141,900	161,421,900	94,370,000	84,255,400	178,625,400
2027	12,115,000	4,478,775	16,593,775	86,340,000	75,077,900	161,417,900	98,455,000	79,556,675	178,011,675
2028	12,135,000	3,842,738	15,977,738	90,635,000	70,760,900	161,395,900	102,770,000	74,603,638	177,373,638
2029	12,160,000	3,205,650	15,365,650	95,180,000	66,229,150	161,409,150	107,340,000	69,434,800	176,774,800
2030	12,185,000	2,567,250	14,752,250	99,980,000	61,470,150	161,450,150	112,165,000	64,037,400	176,202,400
2031	12,210,000	1,927,537	14,137,537	104,960,000	56,471,150	161,431,150	117,170,000	58,398,687	175,568,687
2032	12,240,000	1,286,513	13,526,513	110,250,000	51,223,150	161,473,150	122,490,000	52,509,663	174,999,663
2033	12,265,000	643,912	12,908,912	115,730,000	45,710,650	161,440,650	127,995,000	46,354,562	174,349,562
2034	-	-	-	61,475,000	40,044,100	101,519,100	61,475,000	40,044,100	101,519,100
2035	-	-	-	63,555,000	37,095,200	100,650,200	63,555,000	37,095,200	100,650,200
2036	-	-	-	69,320,000	34,047,400	103,367,400	69,320,000	34,047,400	103,367,400
2037	-	-	-	60,660,000	30,882,800	91,542,800	60,660,000	30,882,800	91,542,800
2038	-	-	-	63,035,000	28,565,850	91,600,850	63,035,000	28,565,850	91,600,850
2039	-	-	-	52,005,000	26,155,300	78,160,300	52,005,000	26,155,300	78,160,300
2040	-	-	-	53,970,000	23,863,250	77,833,250	53,970,000	23,863,250	77,833,250
2041	-	-	-	48,540,000	21,476,350	70,016,350	48,540,000	21,476,350	70,016,350
2042	-	-	-	53,995,000	19,214,550	73,209,550	53,995,000	19,214,550	73,209,550
2043	-	-	-	56,360,000	16,749,550	73,109,550	56,360,000	16,749,550	73,109,550
2044	-	-	-	58,715,000	14,172,100	72,887,100	58,715,000	14,172,100	72,887,100
2045	-	-	-	61,155,000	11,723,450	72,878,450	61,155,000	11,723,450	72,878,450
2046	-	-	-	63,490,000	9,170,800	72,660,800	63,490,000	9,170,800	72,660,800
2047	-	-	-	65,990,000	6,562,150	72,552,150	65,990,000	6,562,150	72,552,150
2048	-	-	-	52,695,000	3,847,300	56,542,300	52,695,000	3,847,300	56,542,300
2049	-	-	-	25,325,000	1,816,750	27,141,750	25,325,000	1,816,750	27,141,750
2050	-	-	-	23,435,000	883,300	24,318,300	23,435,000	883,300	24,318,300
Total	\$ 130,635,000	\$ 35,659,994	\$ 166,294,994	\$ 1,868,755,000	\$ 1,001,993,200	\$ 2,870,748,200	\$ 1,999,390,000	\$ 1,037,653,194	\$ 3,037,043,194

**TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
OUTSTANDING TOLL ROAD TAX BONDS
Schedule 7**

The Series 1997 and Series 2007C Tax Bonds are collectively referred to as the “Toll Road Tax Bonds”.

Issue	Date Issued	Outstanding Principal Amount at September 30, 2023
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1997	August 1997	\$ 9,115,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2007C	August 2007	\$ 121,520,000
TOTAL		\$ 130,635,000

**TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
OUTSTANDING TOLL ROAD SENIOR & FIRST LIEN REVENUE BONDS
Schedule 8**

The Series 2015B, Series 2016A, Series 2018A, and Series 2019A are referred to as the “Senior Lien Revenue Bonds”. The Series 2021, Series 2022A, Series 2023A are referred to as the “First Lien Revenue Bonds”.

Issue	Outstanding Principal Amount at September 30, 2023
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2015B	\$ 133,450,000
Refunding Bonds Series 2016A	459,365,000
Refunding Bonds Series 2018A	478,850,000
Refunding Bonds Series 2019A	79,750,000
Harris County, Texas, Toll Road First Lien Revenue	
Refunding Bonds Series 2021	405,830,000
Refunding Bonds Series 2022A	192,015,000
Refunding Bonds Series 2023A	119,495,000
TOTAL	\$ 1,868,755,000

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2023-2024
Schedule 9**

On September 19, 2023 the Commissioners Court adopted the budget for the County for the Fiscal Year 2023-2024. The Fiscal Year budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2023-2024 budget for the County's Current Operating Fund:

Cash Balance as of October 1, 2023	\$ 351,635,668
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,918,858,041
Charges for Services	288,103,955
Fines and Forfeitures	15,135,500
Intergovernmental Revenues	81,342,172
Interest	29,186,350
Other	55,442,745
Total Cash and Estimated Revenues	\$ 2,739,704,431
Appropriations:	
Current Operating Expenses	\$ 2,725,294,329
Capital Outlay:	
Roads	3,923,315
Parks	10,486,787
Total Appropriations	\$ 2,739,704,431

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY CAPITAL PROJECTS FUNDS BUDGETING
Schedule 10

County Capital Projects Funds are used in projects including construction of roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at September 30, 2023 derived from the sale of bonds and other sources and the investment income (except investment income may be used for debt service) thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 184,718,229
Permanent Improvements	51,215,863
Flood Control	403,410,544
Total	<u>\$ 639,344,636</u>

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY TAX DEBT OUTSTANDING
Schedule 11

	<u>County's Total Outstanding Tax Debt (a)</u>
Limited Tax Debt	\$ 891,456,318
Unlimited Tax Debt	769,205,000
Flood Control	317,320,000
Toll Road Tax Bonds	<u>130,635,000</u>
Total	\$ 2,108,616,318
Less: Toll Road Tax Bonds	<u>(130,635,000)</u>
Total (Approximately 0.26% of 2022 Assessed Value)	<u><u>\$ 1,977,981,318</u></u>

(a) Excluding Flood Control District debt of \$1,009,015,000 paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
SCHEDULE OF COUNTY-WIDE AD VALOREM TAX DEBT SERVICE REQUIREMENTS
SCHEDULE 12
(amounts in thousands)

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 54,097	\$ 52,833	\$ 106,930	\$ 34,975	\$ 35,578	\$ 70,553	\$ 21,165	\$ 6,847	\$ 28,012	\$ 53,145	\$ 59,489	\$ 112,634	\$ 163,382	\$ 154,747	\$ 318,129
2025	82,624	49,693	132,317	48,960	33,286	82,246	12,070	5,747	17,817	57,625	55,349	112,974	201,279	144,075	345,354
2026	63,935	34,577	98,512	53,885	30,723	84,608	12,090	5,114	17,204	53,675	52,725	106,400	183,585	123,139	306,724
2027	89,320	30,773	120,093	58,495	27,950	86,445	12,115	4,479	16,594	58,040	50,122	108,162	217,970	113,324	331,294
2028	53,640	40,884	94,524	59,280	25,009	84,289	12,135	3,843	15,978	61,675	47,136	108,811	186,730	116,872	303,602
2029	63,445	24,505	87,950	60,220	22,025	82,245	12,160	3,206	15,366	64,385	43,992	108,377	200,210	93,728	293,938
2030	44,885	21,826	66,711	50,780	19,253	70,033	12,185	2,567	14,752	65,210	40,759	105,969	173,060	84,405	257,465
2031	46,980	19,580	66,560	49,110	16,760	65,870	12,210	1,928	14,138	54,365	37,947	92,312	162,665	76,215	238,880
2032	49,125	17,248	66,373	50,195	14,311	64,506	12,240	1,287	13,527	42,750	35,696	78,446	154,310	68,542	222,852
2033	24,355	14,974	39,329	26,605	12,434	39,039	12,265	644	12,909	44,890	33,561	78,451	108,115	61,613	169,728
2034	21,725	13,755	35,480	27,930	11,093	39,023	-	-	-	47,045	31,416	78,461	96,700	56,264	152,964
2035	22,780	12,678	35,458	29,320	9,685	39,005	-	-	-	49,200	29,220	78,420	101,300	51,583	152,883
2036	23,890	11,549	35,439	13,350	8,662	22,012	-	-	-	51,460	26,984	78,444	88,700	47,195	135,895
2037	23,190	10,431	33,621	13,925	8,084	22,009	-	-	-	53,700	24,699	78,399	90,815	43,214	134,029
2038	24,275	9,339	33,614	14,490	7,520	22,010	-	-	-	56,050	22,300	78,350	94,815	39,159	133,974
2039	25,400	8,206	33,606	15,075	6,932	22,007	-	-	-	58,515	19,855	78,370	98,990	34,993	133,983
2040	26,555	7,038	33,593	15,640	6,364	22,004	-	-	-	60,960	17,362	78,322	103,155	30,764	133,919
2041	27,740	5,834	33,574	16,230	5,773	22,003	-	-	-	48,175	15,133	63,308	92,145	26,740	118,885
2042	18,895	4,852	23,747	16,845	5,157	22,002	-	-	-	50,000	13,296	63,296	85,740	23,305	109,045
2043	19,640	4,116	23,756	17,490	4,516	22,006	-	-	-	51,870	11,321	63,191	89,000	19,953	108,953
2044	20,385	3,336	23,721	18,185	3,818	22,003	-	-	-	53,970	9,171	63,141	92,540	16,325	108,865
2045	17,015	2,581	19,596	18,960	3,048	22,008	-	-	-	56,190	6,915	63,105	92,165	12,544	104,709
2046	17,715	1,878	19,593	19,755	2,245	22,000	-	-	-	58,505	4,567	63,072	95,975	8,690	104,665
2047	15,370	1,190	16,560	20,595	1,406	22,001	-	-	-	44,850	2,444	47,294	80,815	5,040	85,855
2048	14,475	536	15,011	18,910	559	19,469	-	-	-	30,085	901	30,986	63,470	1,996	65,466
Total	\$ 891,456	\$ 404,212	\$ 1,295,668	\$ 769,205	\$ 322,191	\$ 1,091,396	\$ 130,635	\$ 35,662	\$ 166,297	\$ 1,326,335	\$ 692,360	\$ 2,018,695	\$ 3,117,631	\$ 1,454,425	\$ 4,572,056

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS**

**Schedule 13
(Amounts in Thousands)**

As of September 30, 2023, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2007, November 2015, August 2018, and November 2022 remain unissued.

The Table reflects the County's use of voted authority when it issues general obligation commercial paper notes pursuant to its Series B (parks and libraries), Series C (roads and bridges), Series D (parks and libraries) and Series D-3 (roads and bridges) programs.

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	211,968	
Forensic Lab	5,180	
Family Law Center	70,000	
Public Safety	100,000	
Total Limited Tax Bonds		\$ 420,148
Unlimited Tax:		
Road Bonds	1,283,330	
Total Unlimited Tax Bonds		1,283,330
Combination Unlimited Tax and Revenue:		
Toll Roads	15,148	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds:		
Flood Bonds	1,491,775	
Total Flood Control Limited Tax Bonds		1,491,775
Total Authorized but Unissued Bonds		\$ 3,210,401

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 Schedule 14**

	2015	2016	2017	2018	2019	2020	2021	2022	9/30/22 *	2023
Administration of Justice	9,625	9,768	9,824	10,275	10,181	10,909	11,194	11,115	10,937	10,883
Parks	805	867	892	913	924	899	613	587	554	614
County Administration	3,166	3,280	3,406	3,460	3,481	3,054	3,222	3,331	3,416	3,587
Health and Human Services	1,369	1,432	1,450	1,488	1,487	1,622	1,582	1,653	1,667	1,793
Flood Control	291	287	293	290	316	325	331	347	350	329
Tax Administration	348	368	353	368	365	418	382	377	371	392
Roads and Bridges	448	451	563	568	542	659	489	364	381	371

Note: (1) As of September 30, 2023, it is estimated that approximately 5,501 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

(2) This schedule represents the number of County employees at the end of each fiscal year.

*The Authority changed its fiscal year-end from February 28/29 to September 30 year-end. This reflects a short 7-month period.

Source: Harris County HR and Payroll system