

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



BASIC **FINANCIAL** STATEMENTS

For The Fiscal Year Ended
February 29, 2020

Prepared By:
Michael Post, CPA, MBA
Harris County Auditor



HARRIS COUNTY TOLL ROAD AUTHORITY

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

*Financial Statements As of February 29, 2020
and for the Year Then Ended and Independent
Auditors' Report*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED FEBRUARY 29, 2020**

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**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 BASIC FINANCIAL STATEMENTS
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MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

August 24, 2020

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 February 29, 2020. 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 February 29, 2020, 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.

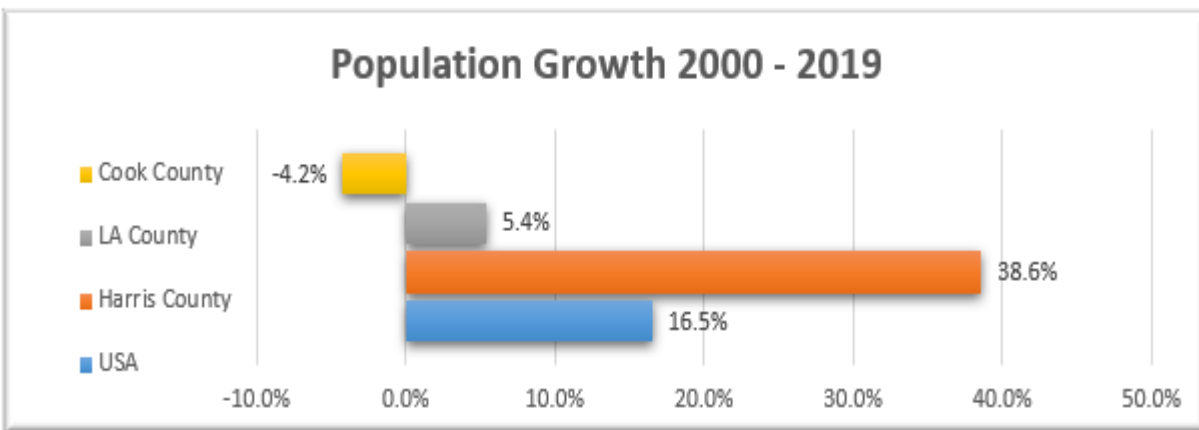
PROFILE OF THE AUTHORITY

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 roadways listed below. 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 offering 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 miles connecting it 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 4.7 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 39% growth since 2000 and 67% growth since 1990. Over a 19-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: (i) Infrastructure Support; (ii) Engineering; (iii) Customer Service; (iv) Administrative Services; (v) Finance; (vi) Communications; (vii) Human Resources; and (viii) Maintenance and Construction Engineering. As of February 29, 2020, the Authority currently has 1,181 employees of which 836 are full-time employees.

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 March 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 Toll Road 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 budget adoption. Encumbrance accounting is utilized to ensure effective budgetary control and accountability.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

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

The Houston region is designated as the Houston-Woodlands-Sugar Land Metropolitan Statistical Area (MSA), and 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 \$479 billion. If the MSA were an independent nation, its economy would rank 26th largest in the world. Twenty companies on the 2019 Fortune 500 list are headquartered in Houston. No single industry dominates Houston employment.

The current price of West Texas Intermediate (WTI) crude oil as of March 2020 is approximately \$29 per barrel, which is a decrease from March 2019 per the U.S. Energy Information Administration. Oil prices have remained at or below \$70 per barrel for the last five years.

The preliminary March 2020 unemployment rate (not seasonally adjusted) for the Houston MSA was 5.5% compared to the national average of 4.4%. The State's preliminary unemployment rate (not seasonally adjusted) for March 2020 was 5.1%. Both the Houston MSA and the State of Texas unemployment rates increased from their March 2019 levels of 3.7% and 3.5%, respectively.

The Houston-The Woodlands-Sugar Land, Texas area had a Consumer Price Index (CPI) that was 3.7% lower than other large urban areas as calculated for February 2020 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 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 million passengers during 2019, 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 increased 8.2 percent in March of 2020 versus March of 2019. March 2020 marked the ninth straight month of positive home sales in the Houston metro area. Consumers were still taking advantage of historically low mortgage interest rates.

All economic indicators discussed above were before the Global COVID19 pandemic occurred. At this point, the long term economic affect the pandemic will have on the Houston metro area is unknown.

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 February 29, 2020, was \$470,596,852, which includes the Authority’s net pension liability of \$17,189,553. The County currently provides a postemployment healthcare plan; the net ending obligation for this postemployment healthcare plan was \$2,733,774,269 at February 29, 2020, which includes \$111,112,005 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 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 Parkway.

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 the Commissioners Court, District Judges, and other County officials and departments for their interest and support in planning and conducting the financial affairs of the 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, MBA
County Auditor

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statement of net position of the Toll Road Authority (the "Authority" or "Toll Road") Enterprise Fund of Harris County, Texas (the "County"), as of February 29, 2020, and the related statements of revenues, expenses, and change in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Toll Road's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Toll Road as of February 29, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

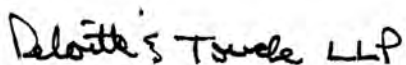
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7-14, and the Other Postemployment Benefits – Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Changes in Net Pension Liability and Related Ratios, and the Texas County and District Retirement System – Schedule of Employer Contributions on pages 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Toll Road's financial statements. The Introductory Section and Other Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Introductory and Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Deloitte Touche LLP". The signature is written in a cursive, slightly slanted style.

August 24, 2020

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

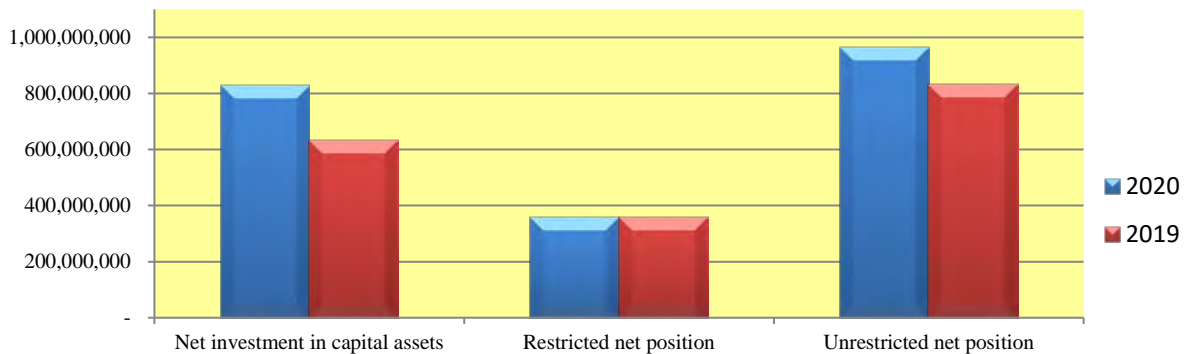
This section of the Toll Road Authority Enterprise Fund of Harris County financial statements presents management’s discussion and analysis (“MD&A”) of the financial performance of the Harris County Toll Road Authority (“Authority”) during the fiscal year ended February 29, 2020.

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 \$830,434,056, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net position increased \$196,706,955 from the previous year, primarily due to various ongoing construction projects throughout the County related to the Authority.
 - (2) Net position of \$358,152,382 is restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net position decreased by \$1,872,357 from the prior year primarily due to the refunding and defeasance of certain outstanding bonds in debt service reserve.
 - (3) Unrestricted net position of \$964,823,437 represents the portion available to meet ongoing obligations of the Authority. Unrestricted net position increased \$131,359,607 from the previous year.

Net Position Comparison



***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

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 Basic 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 Basic 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.

FINANCIAL ANALYSIS

The total net position of the Authority as of February 29, 2020 was \$2,153,409,875 and \$1,827,215,670 for fiscal year ended 2019. Revenues exceeded expenses during the current year, increasing net position by \$326,194,205 from last year.

**Harris County Toll Road Authority Enterprise Fund
Condensed Statement of Net Position
February 29, 2020 and February 28, 2019
(Amounts in thousands)**

	2020	2019
Current assets	\$ 1,506,954	\$ 1,394,437
Capital assets, net	2,993,023	2,801,323
Other non-current assets	333,665	321,557
Total assets	<u>4,833,642</u>	<u>4,517,317</u>
Deferred outflows of resources	<u>146,321</u>	<u>117,572</u>
Current liabilities	331,516	292,938
Non-current liabilities	2,434,333	2,479,156
Total liabilities	<u>2,765,849</u>	<u>2,772,094</u>
Deferred inflows of resources	<u>60,704</u>	<u>35,579</u>
Net position:		
Net investment in capital assets	830,434	633,727
Restricted	358,153	360,025
Unrestricted	964,823	833,464
Total net position	<u>\$ 2,153,410</u>	<u>\$ 1,827,216</u>

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

The largest portion of the Authority's current fiscal year net position is unrestricted net position, which is used for the ongoing operations of the Authority. The remaining balance of the Authority's current fiscal year net position represents net investment in capital assets, 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 covenant.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

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 Years Ended February 29, 2020 and February 28, 2019**

	2020	2019
Revenues:		
Operating revenues:		
Toll revenue	\$ 854,849	\$ 828,454
Intergovernmental revenue	-	1,403
Nonoperating Revenues:		
Investment income	41,977	35,981
Lease revenue	13	19
Miscellaneous revenue	4,312	2,198
Gain on disposal of capital assets	-	13
Total revenues	901,151	868,068
Expenses:		
Operating Expenses:		
Salaries	73,982	70,363
Materials and supplies	13,045	17,767
Services and fees	159,655	143,268
Utilities	3,157	3,185
Transportation and travel	5,433	5,362
Depreciation and amortization	91,575	94,687
Nonoperating Expenses:		
Interest expense	80,384	81,293
Bond Issuance Costs	697	68
Amortization expense	4,055	4,347
Loss on disposal of capital assets	6,107	2,106
Total expenses	438,090	422,446
Income before transfers	463,061	445,622
Transfers out	(136,867)	(135,000)
Change in net position	326,194	310,622
Net position - beginning	1,827,216	1,516,594
Net position - ending	\$ 2,153,410	\$ 1,827,216

Revenues

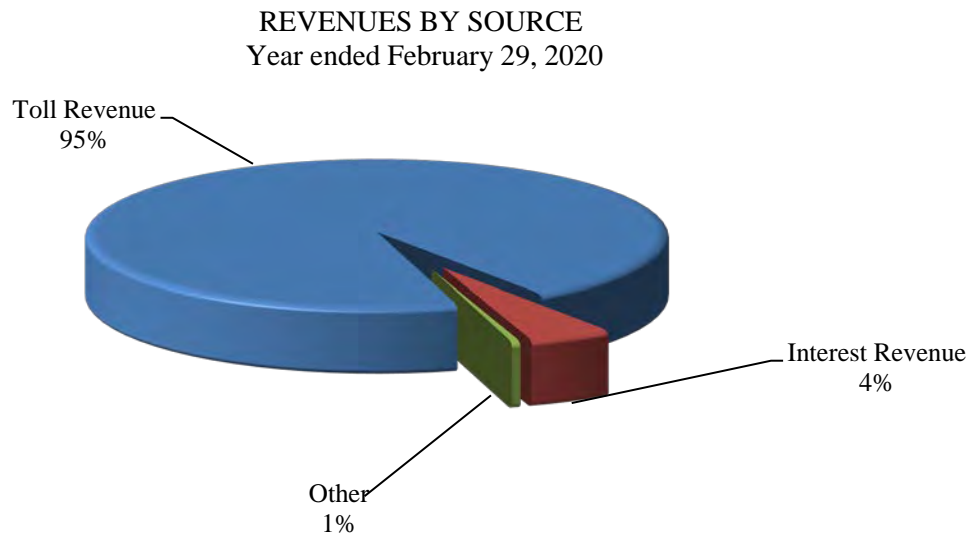
Total revenues for fiscal year 2020 were \$901,151,140 an increase of \$33,083,301 compared to the previous fiscal year. Revenues for fiscal year 2019 were \$868,067,839.

The largest revenue source is toll revenue of \$854,849,072 or 95% of total revenues. This revenue category increased \$26,395,333 from fiscal year 2019. The largest increases were noted at Sam Houston-North (\$1.8M), Sam Houston-South/West (\$1.5M), Hardy Toll Road-North (\$1.5M), Westpark Tollway (\$1.1M), Hardy Toll Road-South, (\$1.1M), and Sam Houston Tollway-North/East (\$1.0M). There was

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

an overall increase of \$21.1 million from EZ tag sales, unpaid tolls, toll violation revenue, interlocal agreement programs, and other miscellaneous revenue.

Interest revenue for fiscal year 2020 totaled \$41,977,195 and comprises 4% of total revenues. This revenue source increased by \$5,996,522 compared to fiscal year 2019 revenue of \$35,980,673, due to an increase in interest earned from investments. Other revenues totaled \$4,324,873 or 1% of total revenues. Other revenue include lease revenue of \$12,540, user fees of \$375, and miscellaneous revenue of \$4,311,958 for reimbursements and recovery of revenue losses.



Expenses

For fiscal year ended February 29, 2020, expenses totaled \$438,089,958 an increase of \$15,643,401 compared to the prior fiscal year. In fiscal year 2019, expenses totaled \$422,446,557.

Services and fees of \$159,654,875 is the largest expense category and is 36% of total expenses. This increase of \$16,386,661 is primarily due to increases in repair and maintenance to roads, bridges, buildings, equipment, and related items.

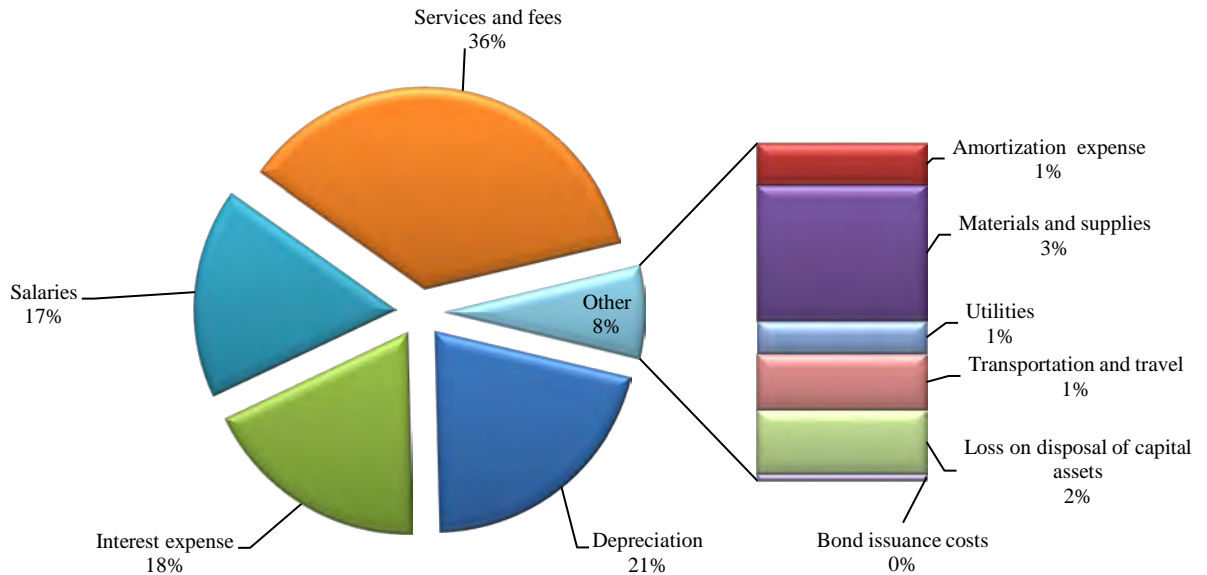
Interest expense of \$80,383,865 is one of the Authority's largest expense categories and is 18% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries expense of \$73,982,379 or 17% of total expenses increased by \$3,619,130 from fiscal year 2019 due to an increase in merit and market salary increases.

The remaining 29% of expenses represent depreciation (21%), amortization expense (1%), and other expenses (7%) and consists of outlays relative to materials and supplies, utilities, transportation and travel, bond issuance costs and loss on disposal of capital assets. All of these expense categories are necessary for the operation of the toll road.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

EXPENSES
Year Ended February 29, 2020



Transfers

Transfers consisted of transfers out of \$136,866,977 which was for funding a county thoroughfare program to increase general mobility.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets net of depreciation as of February 29, 2020 and February 28, 2019, amounted to \$2,993,022,672 and \$2,801,322,711, 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 \$191,699,961 from fiscal year 2019.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)***

	Balance February 29, 2020	Balance February 28, 2019
Land	\$ 377,179,307	\$ 101,492,539
Easement	1,978,624	1,598,124
Right-of-way	-	276,696,094
Construction in progress	1,368,896,631	1,088,780,745
License agreement	237,500,000	237,500,000
Land improvements	18,865,805	18,865,805
Infrastructure	2,600,202,137	2,577,160,549
Other tangible assets	12,953,651	19,489,170
Buildings	18,248,052	18,248,694
Equipment	72,072,324	90,962,894
	<u>4,707,896,531</u>	<u>4,430,794,614</u>
Less: Accumulated depreciation/amortization	(1,714,873,859)	(1,629,471,903)
Totals	<u>\$ 2,993,022,672</u>	<u>\$ 2,801,322,711</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 \$2,550,800,308. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	Outstanding at February 29, 2020	Outstanding at February 28, 2019
Bonds payable	\$ 2,247,214,034	\$ 2,369,119,055
Commercial paper payable	173,505,000	97,390,000
Compensatory time payable	1,196,716	1,148,319
Net OPEB liability	111,112,005	74,763,032
Net pension liability	17,189,553	34,851,024
Pollution remediation obligation	583,000	7,135,254
Totals	<u>\$ 2,550,800,308</u>	<u>\$ 2,584,406,684</u>

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, AA-, and AA, respectively, for the Unlimited Tax and Subordinate Lien Bonds and Aa2, AA-, and AA, respectively, for the Senior Lien Revenue Bonds.

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

*Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2020
(Unaudited)*

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 recently experienced some of the highest population and Gross Domestic Product (GDP) growth rates in the nation. According to a forecast provided by the Houston Galveston Area Council, population in the Metro Houston area will grow by 1.1 million residents from the 2014 U.S. Census estimate through the year 2025. 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
FEBRUARY 29, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 459,943,259
Investments	990,506,112
Receivables, net	49,889
Accrued interest receivable	3,977,057
Other receivables, net	44,092,042
Due from other funds	13,850
Prepays and other assets	3,402,041
Inventories	4,970,150
Total current assets	<u>1,506,954,400</u>

Non-current assets:

Restricted cash and cash equivalents	36,572,730
Restricted investments	297,053,834
Notes receivable	37,906

Capital Assets:

Land and construction in progress	1,748,054,562
License agreement, net of amortization	174,135,000
Other capital assets, net of depreciation	1,070,833,110
Total non-current assets	<u>3,326,687,142</u>
Total assets	<u>4,833,641,542</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refundings	62,631,791
Pension contributions after measurement date	941,743
Changes of pension assumptions	490,579
Changes of OPEB assumptions	27,434,857
Unamortized costs on swap liability	54,821,588
Total deferred outflows of resources	<u>146,320,558</u>

LIABILITIES

Current liabilities:

Vouchers payable	68,141,212
Accrued payroll	4,350,049
Retainage payable	35,172,769
Customer deposits	159,771
Due to other funds	1,260,308
Due to other governmental units	23,964,222
Unearned revenue	82,000,243
Current portion of long-term liabilities	116,467,002
Total current liabilities	<u>331,515,576</u>

Non-current liabilities:

Bonds payable	2,138,706,127
Pollution remediation payable	583,000
Commercial paper payable	166,240,000
Compensatory time payable	502,621
Net OPEB liability	111,112,005
Net pension liability	17,189,553
Total non-current liabilities	<u>2,434,333,306</u>
Total liabilities	<u>2,765,848,882</u>

DEFERRED INFLOWS OF RESOURCES

Difference in expected and actual pension experience	5,881,755
Accumulated decrease in fair value of hedging derivatives	54,821,588
Total deferred inflows of resources	<u>60,703,343</u>

NET POSITION

Net investment in capital assets	830,434,056
Restricted for capital projects	6,904,495
Restricted for debt service	305,094,052
Restricted for operating reserve per bond covenant	46,153,835
Unrestricted	964,823,437
Total net position	<u>\$ 2,153,409,875</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 YEAR ENDED FEBRUARY 29, 2020**

OPERATING REVENUE	
Toll revenue	\$ 854,849,072
Total operating revenue	<u>854,849,072</u>
OPERATING EXPENSES	
Salaries	73,982,379
Materials and supplies	13,044,999
Services and fees	159,654,875
Utilities	3,157,418
Transportation, travel, and other admin	5,432,970
Depreciation and amortization	91,575,141
Total operating expenses	<u>346,847,782</u>
Operating income	<u>508,001,290</u>
NONOPERATING REVENUES	
Investment income	41,977,195
Lease income	12,915
Miscellaneous income	4,311,958
Total nonoperating revenues	<u>46,302,068</u>
NONOPERATING EXPENSES	
Interest expense	80,383,865
Bond issuance costs	696,525
Amortization expense	4,055,218
Loss on disposal of capital assets	6,106,568
Total nonoperating expenses	<u>91,242,176</u>
Income before transfers	463,061,182
Transfers out	<u>(136,866,977)</u>
Change in net position	326,194,205
Net position, beginning of year	<u>1,827,215,670</u>
Net position, end of year	<u><u>\$ 2,153,409,875</u></u>

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tolls	\$ 845,551,850
Payments to employees	(64,382,955)
Payments to vendors	(176,036,403)
Receipts from miscellaneous reimbursements	4,311,958
Net cash provided by operating activities	<u>609,444,450</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Internal payments to other funds	(144,867)
Receipts from other governments	3,918,147
Transfers to other funds	(136,866,977)
Net cash used in noncapital financing activities	<u>(133,093,697)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from lease of capital assets	12,915
Purchases of capital assets	(281,253,841)
Principal and escrow paid on capital debt	(102,810,000)
Interest paid on capital debt	(99,770,737)
Commercial Paper proceeds	76,115,000
Bond issuance cost	(696,526)
Net cash used in capital and related financing activities	<u>(408,403,189)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,755,802,231)
Proceeds from sale and maturity of investments	1,646,706,484
Interest received	41,447,290
Net cash used in investing activities	<u>(67,648,457)</u>
Net change in cash and cash equivalents	299,107
Cash and cash equivalents, beginning	496,216,882
Cash and cash equivalents, ending	<u>\$ 496,515,989</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 508,001,290
Adjustments to operations:	
Depreciation and amortization	91,575,141
Other nonoperating revenues	4,311,958
Changes in assets and liabilities:	
Receivables, net	(15,304,340)
Notes and leases receivable	7,582
Prepays and other assets	427,354
Inventories	238,824
Deferred outflows for pension and OPEB	(14,061,960)
Vouchers payable and accrued liabilities	22,759,188
Retainage payable	6,882,794
Due to other funds	272,392
Customer deposits	(921)
Pollution Payable	(6,552,254)
Unearned revenue	5,999,536
Compensatory time payable	20,327
Deferred inflows for pension	4,867,539
Net cash provided by operating activities	<u>\$ 609,444,450</u>

Noncash operating, capital and related financing and investing activities:

Decrease in fair value of hedging derivatives	\$ (20,256,831)
Decrease in fair value of investments	(28,633)
Purchase of capital assets on account	6,293,091

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

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.

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

GASB Statement No. 83, Certain Asset Retirement Obligations (“GASB 83”), addresses accounting and financial reporting for certain asset retirement obligations (AROs), and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Implementation of GASB 83 did not have an impact on the Authority’s financial statements or disclosures.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61 (“GASB 90”)*, the Governmental Accounting Standards Board (GASB) has issued Statement 90, Majority Equity Interest effective for financial statements for years beginning after December 15, 2018. GASB 90 amends GASB Statements 14 and 61. GASB 90 improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Implementation of GASB 90 did not have an impact on the Authority’s financial statements or disclosures.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance – (“GASB 95”)*, the primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The Authority postponed the implementation dates of the GASB’s affected by this standard (see Note 13).

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 Management’s Discussion and Analysis (“MD&A”), Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

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 fair value or amortized cost based upon quoted market prices as of the Authority's fiscal year end, 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 February 29, 2020, 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 February 29, 2020 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 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.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

In April 2012, Harris County approved a memorandum of understanding with TxDOT (the “MOU”) that contained a general outline for the development, funding, construction, operation and maintenance of additional proposed toll facilities for the US 290 corridor, the SH 288 corridor and the Grand Parkway. The County’s responsibilities were further clarified in subsequent agreements and actions with TxDOT, including negotiations over several years relating to the possible transfer of ownership and operation of the Katy Managed Lanes and eventually an alternative proposal for Harris County to provide funding for certain regional interchange projects. Those discussions were memorialized in a proposal from Harris County to TxDOT in March 2018 and a subsequent response letter from TxDOT to Harris County in June 2019. Below is a summary of the terms of the MOU and the current status of the subsequent agreements and actions.

The MOU specified that Harris County would provide \$400 million toward TxDOT’s reconstruction of US 290 from IH 610 to SH 99 and that the County would waive its primacy development rights for and decline to develop a toll facility along the Hempstead corridor of US 290. As initially contemplated, the reconstruction would include building a two to three lane reversible managed lane facility to accommodate both High Occupancy Vehicle (“HOV”) and toll traffic, as well as adding one general purpose lane in each direction. The MOU further provided that the County would operate and maintain the managed lanes facility and TxDOT would maintain the remainder of the US 290 facility, while Harris County would retain all toll revenues for use on projects at the County’s discretion.

In August 2014, TxDOT and Harris County agreed to remove the managed lanes component and to reallocate responsibilities and resources for the US 290 reconstruction program. Specifically, the project was reconfigured to remove the reversible managed lanes facility, and the parties agreed that the County would have no obligation or responsibility for development, construction, installation, or operation of the managed lanes facility on the US 290 project. The County’s commitment toward the US 290 project was reduced from \$400 million to \$155 million, which was paid in multiple installments in 2014 and 2015. The project scope for the US 290 reconstruction program was reduced to reflect the removal of the proposed reversible managed lanes component, and \$45 million originally committed by the County to the US 290 project was reallocated to the SH 249 corridor to pay certain costs of the State for construction of frontage road and watershed improvements. Similar to the funding the County committed toward the IH 10/Katy corridor reconstruction program in 2003, the installments for the US 290 project were funded with revenues from the County’s toll road system. With the removal of the managed lanes component, there is no longer a revenue generating component of the project for Harris County. The County has no further obligation or responsibility for the development, construction, installation, or operation of a toll facility in connection with the US 290 reconstruction project. The County has waived its primacy rights for development of toll facilities in both the US 290 corridor and the adjacent Hempstead Highway corridor.

As consideration for the reduction in the County’s commitment toward the US 290 project, in 2014 the County agreed, subject to certain legal requirements including those specified in the Indentures, to transfer ownership and/or responsibility for the operation, maintenance and enforcement of the Katy Managed Lanes to TxDOT. If a transfer of ownership were to occur while bonds on the project remain outstanding, prior to any transfer being effective, TxDOT and the County would need to satisfy certain legal requirements, including an adoption by the County of a finding that the transfer is in the best interests of the Project and will not be materially adverse to the rights of the Owners of the Bonds, Parity Notes or other Parity Obligations. Negotiations on a definitive agreement for the transfer extended through 2015 and 2016, with the parties approving various target deadlines for completion of the proposed transaction, all of which eventually elapsed. In March 2018, the parties tentatively agreed that the Katy Managed Lanes would remain a Harris County toll facility for the duration of the time that bonds issued by Harris County for the project remain outstanding. In a June 2019 letter to the County, TxDOT confirmed that, as an alternative to the transfer of the Katy Managed Lanes, it would accept Harris County’s commitment to instead provide \$200 million in funding for certain regional interchange projects. Specifically, TxDOT confirmed in the June 2019 letter that, in order to bring discussions regarding ownership and operation of the Katy Managed Lanes to

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

conclusion, the parties instead would work toward definitive project agreements for the design, construction and procurement by the County of interchanges at the Tomball Tollway (SH 249) and Grand Parkway (SH 99) and at the Sam Houston Tollway (Beltway 8) at SH 225. The County's funding commitment to the interchange projects will come from revenues of the Project and will restore the aggregate funding commitment to TxDOT to \$400 million as contemplated by the parties when the MOU was originally negotiated in April 2012.

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 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 employer's 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. The Authority pays the full cost of employee coverage and 50% of the cost of dependent premiums. The disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The 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 Risk Management 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 Risk Management Fund. Payments for the Authority's general, vehicle and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund and billed to the Authority.

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

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 three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

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

Exempt employees earn compensatory time at a rate of one times their worked hours in excess of 40 hours a week. Exempt employees can accumulate up to 240 hours of compensatory time. Upon termination, exempt employees are paid one-half of the compensatory time earned at the wage rate at time of termination.

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 position 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, unamortized costs on swap liability, pension contributions after measurement date, the differences in projected and actual earnings on pension assets, and changes in pension and OPEB assumptions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The pension contributions after measurement date are deferred and recognized in the following fiscal year. The differences in projected and actual earnings on pension assets are amortized over a closed five year period. Pension and OPEB assumption changes are recognized over the average remaining service life for all members.

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 position that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows, when applicable, consist of the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods and differences in expected and actual pension experience which are amortized over a closed five-year period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 February 29, 2020, the balance per various financial institutions was \$310,048,927. The Authority's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

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.

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code, Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.
8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.
9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of Commissioners Court to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.
10. A Securities and Exchange Commission (SEC) registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.
11. Interest-bearing banking deposits that are guaranteed or insured by: (A) the Federal Deposit Insurance Corporation or its successor; or (B) the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits other than described above if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in Texas that the County selects from a list of its governing body or designated investment committee adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in Texas that the County selects; (B) the broker or depository institution selected as described above arranges for the

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deposit of the funds in one or more federally insured depository institutions, regardless of where located, for the County's account; (C) the full amount of the principal and accrued interest of the deposits is insured by the United States or an instrumentality of the United States; and (D) the County appoints as the custodian of the bank deposits issued for the County's account: (i) the depository institution selected as described above; (ii) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

Summary of Cash and Investments

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 February 29, 2020.

	Totals
Cash and Cash Equivalents	\$ 459,943,259
Investments	990,506,112
Restricted Cash and Cash Equivalents	36,572,730
Restricted Investments	297,053,834
Total Cash and Investments	\$ 1,784,075,935

The table below indicates the fair value and maturity value of the Authority's investments as of February 29, 2020, summarized by security type. Also demonstrated are the percentages of the total portfolio, the weighted average modified duration in years, and the credit ratings for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FFCB	\$ 84,345,960	5.03%	\$ 84,000,000	0.0439	Aaa
FHLB - Disc Note	49,518,500	2.95%	50,000,000	0.0230	AA+
FHLB Note	120,140,400	7.17%	120,000,000	0.0569	AA+
FNMA	34,480,320	2.06%	34,443,000	0.0090	AA+/Aaa
<i>Total US Agency Notes</i>	<u>288,485,180</u>		<u>288,443,000</u>		
<i>Commercial Paper</i>					
BNPP-Disc	160,079,208	9.55%	161,000,000	0.0356	A-1/P-1
MUFG-Disc	4,172,868	0.25%	4,200,000	0.0010	A-1/P-1
NATX-Disc	146,069,603	8.72%	147,000,000	0.0362	A-1/P-1
TMCC-Disc	28,776,705	1.72%	29,000,000	0.0087	A-1+/P-1
<i>Total Commercial Paper</i>	<u>339,098,384</u>		<u>341,200,000</u>		
<i>Local Governments</i>					
Algonac MI Comm Sch GO Untld	420,586	0.03%	415,000	0.0003	Aa1
Anchorage AK UT GO	905,868	0.05%	885,000	0.0006	AAA+
Anderson IN Sch Bldg Rev	558,872	0.03%	550,000	0.0003	AA+
Ascension Parish LA Sch Dist GO	1,560,014	0.09%	1,525,000	0.0018	AA
Auburn Wash Util Sys Rev BAB	1,927,086	0.11%	1,865,000	0.0023	AA
Austin TX Rev	2,093,920	0.12%	2,000,000	0.0114	AAA/Aaa

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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Bexar Cty TX Hosp Dst GO Tx Exmpt	1,530,870	0.09%	1,500,000	0.0001	Aa1
Black Hawk Co IA UT GO	1,343,693	0.08%	1,315,000	0.0002	Aa2
Bozeman MT UT GO	1,327,733	0.08%	1,300,000	0.0006	Aa1
Burien Wash BAB Taxable GO	1,169,466	0.07%	1,160,000	0.0035	Aa2
Burlington CO NJ GO	897,234	0.05%	875,000	0.0011	AA/Aa1
City & Cnty of Denver CO Rev	3,293,048	0.20%	3,285,000	0.0008	AA-/Aa3
City of Columbus OH GO Tx Exmpt	1,005,390	0.06%	1,000,000	0.0003	AAA/Aaa
City of Conroe TX GO Ltd	305,757	0.02%	300,000	0.0003	AA+/Aa1
City of Dallas TX Waterworks Rev	2,296,905	0.14%	2,285,000	0.0008	AAA/Aa1
City of Frisco TX GO Ltd	1,973,846	0.12%	1,955,000	0.0011	AAA/Aaa
City of Stoughton WI GO Tx Exmpt	531,274	0.03%	525,000	0.0003	Aa2
City of West Allis WI GO Unltd	300,228	0.02%	300,000	0.0000	AA/Aa2
Cobb-Marietta Coliseum GA Rev	1,448,747	0.09%	1,435,000	0.0007	AAA/Aaa
Columbus OH Ser A Tx Exmpt	779,177	0.05%	775,000	0.0002	AAA/Aaa
Columbus OH Series A	854,582	0.05%	850,000	0.0002	AAA/Aaa
Conroe TX Industrial Dev Rev	5,532,654	0.33%	5,445,000	0.0209	AA
Cty Columbus OH GO Unlt Tx Exmpt	9,433,941	0.56%	8,935,000	0.0007	AAA/Aaa
Dallas TX Ref GO Bond	2,004,670	0.12%	2,000,000	0.0004	AA-/A1
Dane CO WI UT GO	324,646	0.02%	320,000	0.0002	AAA
Denver City & County Sch Dist	7,225,371	0.43%	7,160,000	0.0032	AA+/Aa1
Denver CO BAB	3,635,049	0.22%	3,540,000	0.0157	AAA/Aaa
Des Moines IA GO	377,033	0.02%	375,000	0.0005	AA+/Aa2
Eden Prairie MN ISD #272 UT GO	1,238,353	0.07%	1,225,000	0.0014	AA2
Flower Mound TX LT GO	150,000	0.01%	150,000	0.0000	AAA/Aaa
Franklin WI Sch Dist GO	1,659,014	0.10%	1,630,000	0.0020	AA
Fulton CO GA Redev Agy	1,897,183	0.11%	1,880,000	0.0005	AA+/Aa1
Greensboro NC Build America Bonds	2,040,660	0.12%	2,000,000	0.0077	AAA/Aaa
Greenwood AR Sch Dist #25 LT GO	585,264	0.03%	575,000	0.0006	Aa2
Hillsborough Cnty FL Util Rev	14,342,933	0.86%	14,165,000	0.0321	AA+/Aaa
Honolulu City & Cnty HI GO Unltd	1,008,040	0.06%	1,000,000	0.0004	Aa1
Houston TX Utility Systems Rev	2,245,635	0.13%	2,100,000	0.0135	AA
Hurst Euless ISD TX UT GO	358,295	0.02%	350,000	0.0003	AAA
Idaho Bond Bank Authority Rev	4,326,199	0.26%	4,240,000	0.0122	Aa1
Indiana Finance Auth Rev Bonds	1,549,101	0.09%	1,550,000	0.0003	AA+/Aa1
Iowa City IA GO	513,170	0.03%	500,000	0.0007	Aaa
Iowa St Brd Regents Hosp Rev	377,351	0.02%	375,000	0.0003	AA/Aa2
Iowa St Western Comm Clg UT GO	838,282	0.05%	835,000	0.0011	Aa1
Kenosha City WI UT GO	591,872	0.04%	585,000	0.0004	AA+
Laredo TX ISD Tx Exmpt	996,500	0.06%	1,000,000	0.0003	AAA/Aaa
Leander TX ISD GO Unltd	478,380	0.03%	485,000	0.0004	AA
Longport NJ UT GO	369,259	0.02%	360,000	0.0005	AA+
Madison Cnty KY GO Unltd	151,412	0.01%	150,000	0.0001	Aa2
Maine St HSG Auth Rev Bonds	2,736,521	0.16%	2,680,000	0.0027	AA+/Aa1
Maricopa Cnty AZ Unif SD Tx Exmpt	3,036,223	0.18%	3,025,000	0.0006	AA
Maryland St. Dept of Transp Rev	3,917,059	0.23%	3,870,000	0.0045	AAA/Aa1
Massachusetts St Green Tx Exmpt	1,006,340	0.06%	1,000,000	0.0003	AA/Aa1
Mercer Co NJ Tx Exmpt	1,378,718	0.08%	1,365,000	0.0008	AA+/Aa2
Metro Wstwtr Recl Dist CO Rev	1,005,330	0.06%	1,000,000	0.0006	AAA/Aa1
Middlesex CO NJ UT GO	200,576	0.01%	200,000	0.0000	AAA
Milwaukee WI Tech Clg GO Unltd	304,467	0.02%	300,000	0.0002	Aa1
Minnesota Pub Facs Rev TX Exmpt	4,084,360	0.24%	4,000,000	0.0024	AAA/Aaa

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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Missouri St Rev Bonds	377,141	0.02%	375,000	0.0001	Aaa
New Berlin Sch Dist WI	306,585	0.02%	300,000	0.0004	Aa2
New Jersey ST Hsg & Mtg Fin Agy	3,027,640	0.18%	3,000,000	0.0049	Aaa
New York St Dorm Rev Bonds	1,526,385	0.09%	1,500,000	0.0009	Aa1
New York State Rev Bonds	15,142,800	0.90%	15,000,000	0.0093	AA+/Aa1
North Dakota St Hsg Fin Agy	610,662	0.04%	600,000	0.0005	Aa1
North TX Municipal Water Dist BAB	2,747,496	0.16%	2,700,000	0.0073	AAA/Aa2
Oklahoma Cnty OK ISD Tx Exmpt	950,000	0.06%	950,000	0.0000	AA+
Oklahoma Co ISD GO Tx Exmpt	1,768,395	0.11%	1,760,000	0.0004	AA+
Old Bridge TWP NJ GO	763,222	0.05%	755,000	0.0005	Aa1
Pecos Barstow TXISD	1,421,567	0.08%	1,390,000	0.0016	AAA
Raleigh NC Rev Bonds	406,180	0.02%	400,000	0.0002	AA+/Aa1
Red River TX Ed Fin Rev	2,537,615	0.15%	2,535,000	0.0147	Aa3
Richmond IN Cmnty Schs GO Ltd	580,043	0.03%	570,000	0.0003	AA+
Round Rk TX ISD TX Exmpt	3,553,210	0.21%	3,375,000	0.0050	Aaa
Round Rock TX ISD BAB	1,013,080	0.06%	1,000,000	0.0019	Aaa
Saint Croix WI Sch Dist GO Unltd	306,021	0.02%	300,000	0.0008	AA
Salt Lake County Utah Sales Tax	1,699,242	0.10%	1,630,000	0.0079	AAA
San Antonio, TX Build America Bnds	1,665,640	0.10%	1,635,000	0.0103	AAA/Aaa
San Antonio TX Water Rev BAB	3,019,420	0.18%	3,000,000	0.0063	AA+/Aa1
Snohomish Cnty WA BAB	2,826,958	0.17%	2,760,000	0.0085	AA+/Aa1
Springfield Mo Sch Dist Tx Exmpt	1,515,000	0.09%	1,515,000	0.0000	AA+
St Louis Cnty Tx Exmpt	1,012,960	0.06%	1,000,000	0.0006	AA
St Louis MO Library Dist COPS	1,619,104	0.10%	1,600,000	0.0010	AAA/Aa2
St of Delaware GO Unlt Tx Exmpt	2,697,997	0.16%	2,620,000	0.0021	AAA/Aaa
St of Ohio GO Tx Exmpt	1,348,094	0.08%	1,340,000	0.0004	AA+/Aa1
Stamford CT GO	2,375,756	0.14%	2,350,000	0.0027	AAA/Aa1
State of Texas GO Bonds	2,616,798	0.16%	2,595,000	0.0009	AAA/Aaa
State of Wisconsin Rev Bonds	1,579,589	0.09%	1,580,000	0.0002	AA-/Aa2
Texas A&M Univ Rev Bonds	4,751,188	0.28%	4,750,000	0.0006	AAA/Aaa
Texas St Tech Univ Rev Bnds	5,335,960	0.32%	5,230,000	0.0102	AA+/Aa1
Trinity River TX Rev Tx Exmpt	1,220,358	0.07%	1,215,000	0.0003	AA-
Tulsa Cnty OK ISD #5 Tx Exmpt	2,557,293	0.15%	2,550,000	0.0004	Aa2
Tulsa CO ISD #9 GO Tx Exmpt	3,543,257	0.21%	3,540,000	0.0002	AA+
Tulsa ISD #4 OK	1,826,082	0.11%	1,800,000	0.0013	AA+
TX Wtr Dev Brd Ser A Tx Exmpt	1,000,800	0.06%	1,000,000	0.0001	AAA
Univ of Alabama Rev Bonds	332,769	0.02%	330,000	0.0003	AA/Aa2
Univ of Arkansas Rev Bonds	150,428	0.01%	150,000	0.0001	Aa2
Virginia St HSG Dev Auth	1,448,521	0.09%	1,375,000	0.0104	AA+/Aa1
Washington Cnty MN GO	3,048,380	0.18%	3,045,000	0.0034	AAA/Aaa
Washington Cnty MN Tx Exmpt	600,024	0.04%	600,000	0.0003	AAA/Aaa
Westonka MN ISD #277 UT GO	1,475,753	0.09%	1,460,000	0.0008	Aa2
Woodbury Heights NJ UT GO	439,739	0.03%	438,000	0.0001	AAA
<i>Total Local Governments</i>	<u>197,189,309</u>		<u>194,088,000</u>		
<i>US Treasury Notes</i>					
US Treasury Bill	9,999,040	0.60%	10,000,000	0.0001	AA+/Aaa
US Treasury Note	452,659,398	27.01%	451,688,000	0.1676	AA+/Aaa
<i>Total US Treasury Notes</i>	<u>462,658,438</u>		<u>461,688,000</u>		

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<u>Security</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Maturity Amount</u>	<u>Weighted Avg Modified Duration (Years)</u>	<u>Credit Rating S&P/ Moody's</u>
<i>Money Market Funds</i>					
LOGIC Pool	38,438,388	2.30%	38,438,388	N/A	AAAm
Lone Star Pool	40,968,420	2.45%	40,968,420	N/A	AAAm
Lone Star (GOV) Pool	10,973,711	0.66%	10,973,711	N/A	NA
Texas Class Pool	46,456,458	2.78%	46,456,458	N/A	AAAm
Texas Class (GOV) Pool	15,163,320	0.91%	15,163,320	N/A	NA
TRA - Cadence (DDA)	8,870,556	0.53%	8,870,556	N/A	NA
TRA - Cadence (MMF)	191,067,316	11.40%	191,067,316	N/A	NA
MMF - TRA Trust Invesco	36,472,744	2.18%	36,472,744	N/A	NA
<i>Total Money Market Funds</i>	<u>388,410,913</u>		<u>388,410,913</u>		
Total Investments & Cash Equivalents	<u>1,675,842,224</u>	<u>100.00%</u>	<u>\$ 1,673,829,913</u>		
<i>Demand and Time Deposits</i>	<u>108,233,711</u>				
Total Cash & Investments	<u>\$ 1,784,075,935</u>				

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 February 29, 2020, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments and U.S. Treasury Notes totaling \$1,287,431,311, 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 \$388,410,913 have been valued at amortized cost or fair value in accordance with GASB No. 79. For investment pools shown, Texas CLASS, TRA-Cadence Money Market Fund and Invesco portfolios have 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

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invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 29, 2020, 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.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 29, 2020, 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.

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Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Toll Road Project Funds	Matching/Barbell/Laddered	6	\$ 654,508,000	2.84
Toll Road Debt Service	Matching/Barbell/Laddered	6	407,400,000	0.71
Toll Road Renewal/Replacement	Matching/Barbell/Laddered	6	95,958,000	1.20
Toll Road Bond Reserve	Matching	Final maturity of the bonds	127,553,000	2.20
Money Market Mutual Funds	N/A	N/A	388,410,913	N/A
			<u>\$ 1,673,829,913</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 February 29, 2020 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$44,092,042 is reported net of allowance for doubtful accounts of \$439,532,293.

Proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Authority reported \$82,000,243 in unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 29, 2020 are comprised of the following:

	Outstanding March 1, 2019	Issued	Receipts	Outstanding February 29, 2020
Sam Houston Race Park	\$ 45,488	\$ -	\$ 7,582	\$ 37,906
Notes receivable	\$ 45,488	\$ -	\$ 7,582	\$ 37,906

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 29, 2020 are comprised of the following:

Prepaid surety expense	\$ 126,636
Prepaid office expenses	3,275,405
Total	<u>\$ 3,402,041</u>

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6. CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2020 was as follows:

	Balance				Balance
	March 1, 2019	Additions	Deletions	Transfers	February 29, 2020
Land	\$ 101,492,539	\$ 151,056	\$ -	\$ 275,535,712	\$ 377,179,307
Easement	1,598,124	7,830	-	372,670	1,978,624
Right-of-way	276,696,094	-	-	(276,696,094)	-
Construction in progress	1,088,780,745	283,885,379	-	(3,769,493)	1,368,896,631
Total capital assets not depreciated	<u>1,468,567,502</u>	<u>284,044,265</u>	<u>-</u>	<u>(4,557,205)</u>	<u>1,748,054,562</u>
License agreement	237,500,000	-	-	-	237,500,000
Land improvements	18,865,805	-	-	-	18,865,805
Infrastructure	2,577,160,549	-	-	23,041,588	2,600,202,137
Other tangible assets	19,489,170	-	(5,198,367)	(1,337,152)	12,953,651
Buildings	18,248,694	-	-	(642)	18,248,052
Equipment	90,962,894	2,803,479	(4,618,084)	(17,075,965)	72,072,324
	<u>2,962,227,112</u>	<u>2,803,479</u>	<u>(9,816,451)</u>	<u>4,627,829</u>	<u>2,959,841,969</u>
Less accumulated depreciation/amortization for:					
License agreement	(55,005,000)	(8,360,000)	-	-	(63,365,000)
Land improvements	(6,692,258)	(943,455)	-	26,171	(7,609,542)
Infrastructure	(1,497,667,826)	(71,258,640)	-	(2,715,456)	(1,571,641,922)
Other tangible assets	(23,634,685)	(21,877)	5,156,846	5,898,840	(12,600,876)
Buildings	(4,179,675)	(399,535)	-	(9,175)	(4,588,385)
Equipment	(42,292,459)	(10,591,634)	4,396,660	(6,580,701)	(55,068,134)
	<u>(1,629,471,903)</u>	<u>(91,575,141)</u>	<u>9,553,506</u>	<u>(3,380,321)</u>	<u>(1,714,873,859)</u>
Total capital assets being depreciated, net	<u>1,332,755,209</u>	<u>(88,771,662)</u>	<u>(262,945)</u>	<u>1,247,508</u>	<u>1,244,968,110</u>
Total capital assets, net	<u>\$ 2,801,322,711</u>	<u>\$ 195,272,603</u>	<u>\$ (262,945)</u>	<u>\$ (3,309,697)</u>	<u>\$ 2,993,022,672</u>

7. LONG-TERM LIABILITIES

The Authority has financed the Toll Road Projects with a combination of unlimited tax and subordinate lien revenue bonds, senior 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.

Changes in the Authority's Long-Term Liabilities for fiscal year 2019-20 were as follows:

	Outstanding	Issued/	Paid/	Outstanding	Due Within
	March 1, 2019	Increased	Decreased	February 29, 2020	One Year
Senior Lien Revenue Bonds	\$ 1,891,545,000	\$ 90,255,000	\$ (164,720,000)	\$ 1,817,080,000	\$ 75,570,000
Tax Bonds	248,650,000	-	(28,345,000)	220,305,000	29,285,000
Total Bond Principal	<u>2,140,195,000</u>	<u>90,255,000</u>	<u>(193,065,000)</u>	<u>2,037,385,000</u>	<u>104,855,000</u>
Unamortized Premium, Revenue Bonds	217,487,219	2,955,957	(20,746,798)	199,696,378	-
Unamortized Premium, Tax Bonds	7,651,928	-	(1,172,179)	6,479,749	-
Accrued Interest Payable	3,784,908	91,107,321	(91,239,322)	3,652,907	3,652,907
Total Bonds Payable	<u>2,369,119,055</u>	<u>184,318,278</u>	<u>(306,223,299)</u>	<u>2,247,214,034</u>	<u>108,507,907</u>
Commercial Paper Payable	97,390,000	76,115,000	-	173,505,000	7,265,000
Compensatory Time Payable	1,148,319	714,722	(666,325)	1,196,716	694,095
Net OPEB Liability	74,763,032	36,348,973	-	111,112,005	-
Net Pension Liability	34,851,024	-	(17,661,471)	17,189,553	-
Pollution Remediation Obligation	7,135,254	-	(6,552,254)	583,000	-
Totals - Toll Road Fund Liabilities	<u>\$ 2,584,406,684</u>	<u>\$ 297,496,973</u>	<u>\$ (331,103,349)</u>	<u>\$ 2,550,800,308</u>	<u>\$ 116,467,002</u>

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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A. Outstanding Bonded Debt – February 29, 2020 – Pertinent Information by Issue

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate Range %</u>	<u>Term Issue</u>	<u>Maturity Range</u>	<u>Outstanding Balance February 29, 2020</u>
Senior Lien Revenue Bonds					
Refunding Series 2007B	\$ 145,570,000	Floating	2007	2034-2036	\$ 145,570,000
Refunding Series 2010D	35,420,000	3.00-5.00	2010	2011-2030	22,775,000
Refunding Series 2012B	139,500,000	1.45	2012	2012-2021	94,740,000
Refunding Series 2012C	252,845,000	2.00-5.00	2012	2013-2033	229,695,000
Refunding Series 2015B	161,575,000	5.00	2015	2020-2036	161,575,000
Refunding Series 2016A	530,105,000	2.75-5.00	2016	2019-2047	526,255,000
Refunding Series 2018A	559,900,000	4.00-5.00	2018	2019-2048	546,215,000
Refunding Series 2019A	90,255,000	3.00-5.00	2019	2020-2049	90,255,000
Total Principal Senior Lien Revenue Bonds					1,817,080,000
Unamortized Premiums and Discounts					199,696,378
Total Senior Lien Revenue Bonds					<u>\$ 2,016,776,378</u>
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1997	\$ 150,395,000	5.00-5.125	1997	2014-2024	\$ 26,005,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	194,300,000
Total Tax Bonds					220,305,000
Unamortized Premiums and Discounts					6,479,749
Total Tax Bonds					<u>\$ 226,784,749</u>

B. Covenants and Conditions

The Senior 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. 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 accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 5.67 as of February 29, 2020.

C. Debt Service Requirements

Total interest expense was \$80,383,865 for the fiscal year. The following are the debt service requirements for bonds payable:

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Year	Principal	Interest	Total
2021	104,855,000	92,239,476	197,094,476
2022	99,330,000	88,811,824	188,141,824
2023	77,320,000	85,263,440	162,583,440
2024	80,705,000	81,272,197	161,977,197
2025	84,250,000	77,107,103	161,357,103
2026-2030	427,635,000	323,200,855	750,835,855
2031-2035	518,540,000	204,966,279	723,506,279
2036-2040	295,385,000	102,583,844	397,968,844
2041-2045	185,475,000	56,130,000	241,605,000
2046-2050	163,890,000	13,087,425	176,977,425
	<u>\$ 2,037,385,000</u>	<u>\$ 1,124,662,443</u>	<u>\$ 3,162,047,443</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 February 29, 2020, the unissued authorized bonds for the toll road project are \$15,148,000.

E. Defeasance of Debt

In the current year and 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 February 29, 2020, the outstanding principal balance of these defeased bonds was \$2,304,785,000.

F. Debt Issuances

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

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

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

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

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

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

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

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

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

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

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

On September 3, 2019, the County pledged an additional \$5,500,000 in FHLMC note to Citibank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On September 13, 2019, the County released \$1,500,000 in US Treasury note pledged to JP Morgan Chase as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On October 4, 2019, the County pledged an additional \$500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On October 21, 2019, the County issued \$90,255,000 in Toll Road Senior Lien Revenue Refunding Bonds, Series 2019A, to refund and defease a portion of the County's outstanding Toll Road Senior Lien Revenue Bonds, Series 2009A and 2009C, and to pay cost of such issuance. The annual interest rates range from 3.00% to 5.00%. The issuance had a premium of \$2,955,957. The interest accrues semiannually and the bonds mature in 2049. The refunding resulted in savings of \$38,298,479 due to a decrease in cash flow requirements and had an economic gain of \$27,802,863.

On October 22, 2019, the County released \$14,000,000 in US Treasury note pledged to Citibank as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On October 23, 2019, the County released \$1,000,000 in US Treasury note pledged to JP Morgan Chase as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On December 26, 2019, the County released \$1,000,000 in US Treasury note pledged to JP Morgan Chase as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 02, 2020, the County released \$3,000,000 in US Treasury note pledged to Citibank as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 28, 2020, the County pledged an additional \$500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 31, 2020, the County pledged an additional \$500,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On February 03, 2020, the County pledged an additional \$1,500,000 in US Treasury note to Citibank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

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On February 24, 2020, the County pledged an additional \$800,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On February 25, 2020, the County pledged an additional \$600,000 in US Treasury note to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

G. Commercial Paper

In addition to the outstanding long-term debt of the Toll Road Authority (“Toll Road”), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. On January 10, 2017 the previous Commercial Paper Program Series E was terminated. Subsequently, on April 25, 2017 Commissioners Court authorized two additional commercial paper programs, for \$200 million each, designated as Harris County Toll Road Senior Lien Revenue Commercial Paper Notes, Series E-1 and Series E-2 respectively (“Series E-1 and E-2 Notes”) to finance capital projects of the Toll Road. As of February 29, 2020, Toll Road has outstanding, \$129.9 million of commercial paper in Series E-1 and \$43.6 million of commercial paper in Series E-2.

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

The Toll Road entered into a Revolving Reimbursement Agreement (the “Series E-2 Letter of Credit”) with Barclays Bank (the “Bank”), whereby the Bank supports the Series E-2 Notes by issuing a letter of credit in the original stated amount of \$214,794,521 (representing an amount supporting the total aggregate principal amount of \$200,000,000 plus an amount equal to 270 days’ interest on such principal amount at the rate per annum of ten percent (10%) computed on the basis of a 365 day year) for the timely payment of the principal of and interest on the Series E-2 Notes at maturity. The Series E-2 Letter of Credit expires May 15, 2023. For this reimbursement agreement the Authority will be assessed a fee of .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 equal to \$250 for each drawing under the letter of credit (not to exceed \$2,000 in the aggregate for any calendar year). If converted to a term loan, each term loan will be repaid in equal semi-annual installments (each such installment referred to as “Principal Payment”), such Principal Payments to be made on the conversion date and each date occurring every six months thereafter until paid in full.

DEBT SERVICE TO MATURITY-COMMERCIAL PAPER

The following is the expected debt service requirements for the various Commercial Paper issuance. These requirements assume that as of February 29, 2020, the Authority had drawn down the outstanding principal balance on the lines of credit and letter of credit and subsequently executed term loans with the banks for a principal balance of \$173,505,000 at the average rate for the quarter ending February 29, 2020 by series and reflect the effects of any refundings.

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<u>Fiscal year</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	7,265,000	3,176,546	10,441,546
2022	14,530,000	4,695,763	19,225,763
2023	14,530,000	9,071,961	23,601,961
2024	33,248,000	17,867,149	51,115,149
2025	25,983,000	13,501,236	39,484,236
2026-2028	77,949,000	16,794,220	94,743,220
	<u>\$ 173,505,000</u>	<u>\$ 65,106,875</u>	<u>\$ 238,611,875</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 2020. As of February 29, 2020, there was \$335 in liabilities for arbitrage rebate on governmental debt and \$10,554 in 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 County entered an interest rate swap with Citibank, N.A., New York, and JP Morgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an interest rate swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the 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.

Harris County Toll Road Authority	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	May 22, 2007	May 22, 2007
Effective Date:	June 14, 2007	June 14, 2007
Termination Date:	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	\$72,785,000	\$72,785,000
Current Notional Amount:	\$72,785,000	\$72,785,000
Authority Pays Fixed:	4.398%	4.398%
Counterparty Pays Floating:	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15th day of February, May, August and November	The 15th day of February, May, August and November
Collateral Threshold: (b)	(15,000,000)	(15,000,000)
Fair Value as of 02/29/20:	(\$27,410,794)	(\$27,410,794)
Collateral Pledged:	\$12,500,000 (c)	\$13,400,000 (d)
(a) The notional amount for the swaps amortizes to match the outstanding bond.		
(b) Collateral threshold represents the maximum exposure that the counterparty is required to accept without a pledge of collateral. The difference between the fair value and the collateral threshold must be covered by County collateral. The maximum collateral threshold ceiling is \$45,000,000.		

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(c) The County pledged a \$12.5 million US Treasury note with a \$50,000,000 par, at 1.50% to Citibank as collateral under the terms of the swap agreements related to the Toll Road Senior Revenue Refunding Bonds, Series 2007B.

(d) The County pledged approximately \$13.4 million US Treasury note with a \$30,000,000 par at 1.375% to JP Morgan as collateral under the terms of the swap agreements related to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B.

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

Summary of GASB 53 Effectiveness Testing:

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

Risks:

Harris County Toll Road Authority	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk: Credit Ratings Moody’s, S&P, and Fitch	Aa3, A+, and A+	Aa2, A+, and AA
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is \$27,410,794, which is based on a fair value calculation.	The exposure to the County is \$27,410,794, which is based on a fair value calculation.

J. Subsequent Debt Related Activity

On March 2, 2020, the County pledged an additional \$3,000,000 in US Treasury note to Citibank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

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On March 02, 2020, the County pledged an additional \$2,000,000 in US Treasury note to JP Morgan Chase Bank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On March 10, 2020, the County pledged an additional \$5,000,000 in US Treasury note to JP Morgan Chase Bank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On March 18, 2020, the County released \$2,000,000 in US Treasury note pledged to JP Morgan Chase as collateral on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On March 24, 2020, the County pledged an additional \$1,500,000 in US Treasury note to JP Morgan Chase Bank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On April 01, 2020, the County pledged an additional \$3,500,000 in US Treasury note to Citibank to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

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 a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

Harris County’s pension plan includes 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 3.55%.

Benefits Provided. The plan provisions are adopted by Commissioners Court of the County, within the options available in the state statutes governing TCDRS (“TCDRS Act”). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, when the sum of their age and years of service equals 75 or more, or if they become disabled. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by Commissioners Court, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. The County’s current match is 225%.

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

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	12/31/18	12/31/19
Inactive employees or beneficiaries currently receiving benefits	8,808	9,258
Inactive employees entitled but not yet receiving benefits	8,513	9,380
Active employees	18,082	18,617
Total	35,403	37,255

Contributions. The County has elected the annually determined contribution rate (“ADCR”) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The County contributed using an actuarially determined rate of 14.5% of covered payroll for the months of the calendar year in 2018, and 15.1% for the months of the calendar year in 2019.

The contribution rate payable by the employee members for 2019 and 2020 is 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

Actuarial Assumptions. For the County’s fiscal year ending February 29, 2020, the net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.6% per year for a career employee.

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

The actuarial cost method was Entry Age Normal, as required by GASB 68. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 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 April 2020 information for a 10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The

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following target asset allocation was adopted by the TCDRS board in June 2020. The geometric real rate of return is net of inflation, assumed at 1.80%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
	100.00%	

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

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

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

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Changes in Net Pension Liability (amounts in thousands):

	Harris County		
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2018	\$ 6,476,540	\$ 5,531,203	\$ 945,337
Changes for the year:			
Service cost	151,462	-	151,462
Interest on total pension liability	524,085	-	524,085
Effect of economic/demographic gains or losses	11,006	-	11,006
Refund of contributions	(10,629)	(10,629)	-
Benefit payments	(311,280)	(311,280)	-
Administrative expenses	-	(4,844)	4,844
Member contributions	-	77,914	(77,914)
Net investment income	-	908,411	(908,411)
Employer contributions	-	167,499	(167,499)
Other	-	(1,750)	1,750
Balances as of December 31, 2019	<u>\$ 6,841,184</u>	<u>\$ 6,356,524</u>	<u>\$ 484,660</u>

The net pension liability allocated to the Authority at February 28, 2019 and February 29, 2020 was \$34,851,024 and \$17,189,553 respectively and employer contributions for the same period were \$5,517,510 and \$5,940,756 respectively. The decrease in net pension liability was mainly due to an increase in net investment income compared to the prior year.

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

Harris County:

	Current		
	1% Decrease 7.10%	Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 7,718,153	\$ 6,841,184	\$ 6,101,856
Fiduciary net position	6,356,524	6,356,524	6,356,524
Net pension liability	<u>\$ 1,361,629</u>	<u>\$ 484,660</u>	<u>\$ (254,668)</u>

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

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions. For the measurement period ending December 31, 2019, the County recognized pension expense of \$208,700,234, the Authority's share was \$7,267,610 as of February 29, 2020; the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

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	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 19,202	\$ 9,172
Changes of assumptions	-	13,832
Net difference between projected and actual earnings	155,806	-
Contributions made subsequent to the measurement date	-	26,742
	\$ 175,008	\$ 49,746

Toll Road Authority's Allocation:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 356	\$ -
Changes of assumptions	-	491
Net difference between projected and actual earnings	5,526	-
Contributions made subsequent to the measurement date	-	942
	\$ 5,882	\$ 1,433

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

County		Toll Road	
Year ended December 31:		Year ended December 31:	
2020	\$ (34,874,992)	2020	\$ (1,231,715)
2021	(48,466,822)	2021	(1,633,438)
2022	21,747,856	2022	657,636
2023	(92,244,491)	2023	(3,117,396)
2024	1,834,333	2024	(66,263)
	\$ (152,004,116)		\$ (5,391,176)

Payable to the Pension Plan. At February 29, 2020, the County reported a payable of \$19,597,294 for the outstanding amount of contributions to the pension plan.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision (“CS”) is not considered a department or a component unit of the County. The net pension liability for CS at February 28, 2019 and February 29, 2020 is \$28,117,023 and \$14,062,227, respectively.

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The deferred inflows and outflows reported for CS at February 29, 2020 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 557	\$ 266
Changes of assumptions	-	401
Net difference between projected and actual earnings	4,521	-
Contributions made subsequent to the measurement date	-	733
	\$ 5,078	\$ 1,400

For the measurement period ended December 31, 2019, CS recognized pension expense of \$5,308,945.

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

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

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retirement to be eligible for County healthcare contributions.

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

Years of Service	0-3	4-7	8	9	10+
Less 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%

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 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

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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.

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

Plan Membership

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

Inactive plan members or beneficiaries currently receiving benefit payments	5,154
Active plan members	<u>15,919</u>
	<u><u>21,073</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.

Net OPEB Liability

The County's Net OPEB Liability was measured as of February 29, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of March 1, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

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

Salary increases	3.25 percent wage inflation plus TCDRS merit scale
Rate of payroll growth (service cost projection)	3.25 percent (salary increases less assumed merit increases)
Inflation rate	2.75 percent
Healthcare cost trend rate	5.80 percent for 2020; 5.70 percent for 2021; and decreasing by 0.10 percent per year to 5.00 percent for 2028 and later years

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

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

Discount Rate

GASB 75 requires a discount rate that reflects the following:

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

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

Reporting Date	Measurement Date	Long-Term Expected Return of Plan Investments (if any)	Fidelity GO AA 20 Years Municipal Index	Discount Rate
February 28, 2019	February 28, 2019	4.00%	3.70%	3.75%
February 29, 2020	February 29, 2020	4.00%	1.81%	1.75%

Schedule of Changes in Net OPEB Liability (March 1, 2019 to February 29, 2020)

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of March 1, 2019	\$ 1,921,558,059	\$ -	\$ 1,921,558,059
Changes for the year:			
Service cost	81,736,103	-	81,736,103
Interest	74,037,555	-	74,037,555
Contributions – employer	-	58,456,723	(58,456,723)
Changes of assumptions	733,662,892	-	733,662,892
Benefit payments (i)	(58,456,723)	(58,456,723)	-
Balances as of February 29, 2020	<u>\$ 2,752,537,886</u>	<u>\$ -</u>	<u>\$ 2,752,537,886</u>

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

There was a large increase in the net OPEB liability mainly due to the increase in the changes of assumptions. This increase was due to the municipal bond index rates decreasing from fiscal year 2019 to fiscal year 2020.

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

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Harris County:	1% Decrease (0.75%)	Discount Rate (1.75%)	1% Increase (2.75%)
Net OPEB liability (asset)	\$ 3,262,356,032	\$ 2,752,537,886	\$ 2,345,929,634

Toll Road	1% Decrease (0.75%)	Discount Rate (1.75%)	1% Increase (2.75%)
Net OPEB liability (asset)	\$ 132,778,212	\$ 111,112,005	\$ 93,933,538

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

Harris County:	1% Decrease (4.800% decreasing to 4.00%)	Trend Rate (5.80% decreasing to 5.00%)	1% Increase (6.80% decreasing to 6.00%)
Net OPEB liability (asset)	\$ 2,245,769,300	\$ 2,752,537,886	\$ 3,423,402,443

Toll Road:	1% Decrease (4.800% decreasing to 4.00%)	Trend Rate (5.80% decreasing to 5.00%)	1% Increase (6.80% decreasing to 6.00%)
Net OPEB liability (asset)	\$ 89,479,985	\$ 111,112,005	\$ 139,969,374

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

The County's OPEB plan is a pay as you go plan, and therefore has no deferred inflows or outflows of resources. At February 29, 2020, the County's deferred outflows of resources and deferred inflows of resources 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	\$ -	\$ -
Changes in assumptions or other inputs	-	647,349,611
Differences between projected and actual return investments	-	-
Total	<u>\$ -</u>	<u>\$ 647,349,611</u>

Toll Road's Allocation:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	27,434,857
Differences between projected and actual return investments	-	-
Total	<u>\$ -</u>	<u>\$ 27,434,857</u>

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

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Harris County	Toll Road
Year ended February 28/29:	Year ended February 28/29:
2021 \$ 86,313,281	2021 \$ 3,657,981
2022 86,313,281	2022 3,657,981
2023 86,313,281	2023 3,657,981
2024 86,313,281	2024 3,657,981
2025 86,313,281	2025 3,657,981
2026 86,313,281	2026 3,657,981
2027 86,313,281	2027 3,657,981
2028 43,156,644	2028 1,828,990
\$ 647,349,611	\$ 27,434,857

The above information includes five participating employers to the agent multiple employer defined benefit postemployment healthcare plan. Two of the employers, Community Supervision (“CS”) and Emergency 911 (“911”) are not considered departments or component units of the County. The net OPEB liability for CS and 911 at February 29, 2020 is \$18,763,617.

The deferred inflows and outflows reported for CS and 911 at February 29, 2020 were:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	3,264,059
Differences between projected and actual return investments	-	-
Total	\$ -	\$ 3,264,059

Additional Disclosures

Texas Local Government Code, Chapter 175 allows counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County ("Continuation Coverage") by permitting covered employees to purchase continued health benefits coverage in retirement. Texas Law does not require counties to fund all or any portion of such coverage.

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

GASB Statement No. 75 requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits. Accordingly, information and amounts presented in the County’s Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting

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principles and does not constitute or imply that the County has made a commitment or is legally obligated to provide the OPEB benefit.

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 \$490,614,137.

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 in the financial statements pollution remediation liabilities of \$583,000. This liability is partially attributable to land acquired by the Authority with known pollution which is expected to be remediated before the land can be used for its intended purpose. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 29, 2020. Additional costs, if any, are not expected to have a material effect on the financial condition of the Authority.

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

The Commissioners Court approved a \$136.9 million allocation for funding of a County thoroughfare program to increase general mobility for fiscal year ended February 29, 2020.

12. REVENUE LEASES

Operating Leases

The Authority was the lessor in a lease for signage. In the current year, there was lease revenue recognized in the amount of \$8,640.

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There are contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to \$3,900 in 2020.

13. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”), establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. It also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be implemented by the County in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 87, *Leases* (“GASB 87”), requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 will be implemented by the County in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), requires additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 will be implemented by the County in fiscal year 2021 and the impact has not yet been determined.

GASB Statement No. 91, *Conduit Debt Obligations* – (“GASB 91”), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented by the County in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 92, *Omnibus 2020* – (“GASB 92”), The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented by the County in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* – (“GASB 93”), Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 will be implemented by the County in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – (“GASB 94”), the 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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2020

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 will be implemented by the County in fiscal year 2024 and the impact has not yet been determined.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”), This Statement 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 will be implemented by the County in fiscal year 2024 and the impact has not yet been determined.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* – (“GASB 97”), The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 will be implemented by the County in fiscal year 2023 and the impact has not yet been determined.

14. SUBSEQUENT EVENTS

On March 1, 2020, the President of the United States issued a national emergency due to the COVID-19 outbreak. In accordance with GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standard*, as amended (“GASB 56”), Harris County management has evaluated the impact of pandemic-related events subsequent to February 29, 2020, including, but not limited to; impact on the fair value of assets, management’s estimate for allowances for uncollectible taxes and other accounts/notes receivable, and the impact of laws enacted as the result of pandemic related events. Management does not consider any of these events as recognized events or non-recognized events requiring disclosure as defined by GASB 56.



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

	Year Ended February 28/29	
	2019	2020
TOTAL OPEB LIABILITY		
Service cost	\$ 79,163	\$ 81,736
Interest cost	70,460	74,038
Effect of assumption changes or inputs	-	733,663
Benefit payments	(55,161)	(58,457)
Net change in total OPEB liability	94,462	830,980
Total OPEB liability, beginning	1,827,096	1,921,558
Total OPEB liability, ending (a)	\$ 1,921,558	\$ 2,752,538
Covered payroll	\$ 1,042,892	\$ 1,112,112
Net OPEB liability as a % of covered payroll	184.25%	247.51%

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 Net 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 AND RELATED RATIOS
LAST FIVE MEASUREMENT YEARS
(Amounts in thousands)

	Year Ended December 31				
	2015	2016	2017	2018	2019
TOTAL PENSION LIABILITY					
Service cost	\$ 131,567	\$ 149,334	\$ 146,841	\$ 148,122	\$ 151,462
Interest on total pension liability	411,525	437,989	468,982	496,916	524,085
Effect of plan changes	(28,883)	-	-	-	-
Effect of assumption changes or inputs	51,149	-	10,614	-	-
Effect of economic/demographic gains	(7,458)	(27,493)	(6,851)	(8,053)	11,006
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)
Net change in total pension liability	337,800	321,610	355,645	348,433	364,644
Total pension liability, beginning	5,113,052	5,450,852	5,772,462	6,128,107	6,476,540
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>
FIDUCIARY NET POSITION					
Employer contributions	\$ 132,346	\$ 136,391	\$ 142,896	\$ 149,663	\$ 167,499
Member contributions	66,878	68,371	71,869	72,343	77,914
Investment income net of investment expenses	(30,646)	349,499	733,526	(107,132)	908,411
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)
Administrative expenses	(3,419)	(3,799)	(3,797)	(4,443)	(4,844)
Other	363	(7,961)	(605)	(1,386)	(1,750)
Net change in fiduciary net position	(54,578)	304,281	679,948	(179,507)	825,321
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762	5,710,710	5,531,203
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>
Net pension liability, ending = (a) - (b)	<u>\$ 724,371</u>	<u>\$ 741,700</u>	<u>\$ 417,397</u>	<u>\$ 945,337</u>	<u>\$ 484,660</u>
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%	85.40%	92.92%
Pension covered payroll	\$ 953,501	\$ 974,217	\$ 1,020,708	\$ 1,032,142	\$ 1,110,437
Net pension liability as a % of covered payroll	75.97%	76.13%	40.89%	91.59%	43.65%
Toll Road's Portion:					
Allocated share	3.655%	3.551%	3.761%	3.687%	3.547%
Employer contribution	\$ 4,836,751	\$ 4,843,872	\$ 5,374,391	\$ 5,517,510	\$ 5,940,756
Net pension liability, ending	\$ 26,473,095	\$ 26,341,183	\$ 15,698,382	\$ 34,851,024	\$ 17,189,553

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
February 29, 2020**

Year Ended	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
February 28/29					
2011	96,038,173	96,038,173	-	849,143,883	11.3%
2012	77,988,234	77,988,234	-	794,141,978	9.8%
2013	83,215,181	83,215,181	-	779,898,383	10.7%
2014	92,818,576	98,731,288	(5,912,712)	840,350,352	11.7%
2015	106,802,688	110,837,562	(4,034,874)	871,490,916	12.7%
2016	132,345,738	128,702,142	3,643,596	925,999,776	13.9%
2017	132,006,399	137,799,357	(5,792,958)	984,281,203	14.0%
2018	140,449,509	143,768,463	(3,318,954)	1,021,330,992	14.1%
2019	148,112,422	152,053,334	(3,940,912)	1,041,771,836	14.6%
2020	157,570,971	169,342,839	(11,771,868)	1,121,475,025	15.1%

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

Year Ended	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
February 28/29					
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%

Additional years for the Toll Road Authority will be added as they become available.

- (1) TCDRS calculated actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.
- (2) Payroll is calculated based on contributions as reported to TCDRS for the fiscal year.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11.3 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset valuation method	5-year smoothed market

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 February 29, 2020**

Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the member contribution rate was increased to 7%. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

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



OTHER INFORMATION

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Traffic Count Table
For the Fiscal Years Ended February 28/29
Schedule 1
(Unaudited)

Component/Segment	2016	2017	2018 (c)	2019	2020 (d)
Hardy Toll Road-North	23,173,858	20,423,602	22,934,292	25,954,394	27,133,093
Hardy Toll Road-South	27,556,761	24,539,597	27,139,877	30,394,189	31,349,380
Sam Houston Tollway-South	81,778,671	82,262,865	78,854,052	84,072,730	84,766,812
Sam Houston Tollway-Central	66,791,573	64,859,879	62,102,272	65,579,347	65,432,094
Sam Houston Tollway-North	81,246,956	77,225,677	76,583,006	83,394,523	84,882,096
Sam Houston Ship Channel Bridge	19,328,018	18,652,445	19,071,816	20,535,981	20,618,900
Sam Houston Tollway-North/East	22,237,159	24,612,792	26,203,953	29,897,740	31,693,019
Sam Houston Tollway-East	26,722,662	26,997,127	27,880,290	30,340,844	29,845,978
Sam Houston Tollway-South/East	35,249,831	35,817,656	34,830,449	37,488,978	38,340,883
Sam Houston Tollway-South/West	41,311,089	42,815,881	43,109,165	47,493,405	49,058,170
Westpark Tollway	51,855,139	52,372,241	50,380,580	55,024,767	55,040,590
Fort Bend Parkway Extension (Spur 90A)	4,338,216	4,603,753	4,807,710	5,508,510	5,799,850
Katy Managed Lanes (a)	31,615,049	32,611,540	34,098,330	35,262,441	33,174,279
Tomball Tollway (b)	10,744,952	15,995,964	16,996,331	18,992,828	19,989,976
Total	<u>523,949,934</u>	<u>523,791,019</u>	<u>524,992,123</u>	<u>569,940,677</u>	<u>577,125,120</u>

- (a) Katy Managed Lanes include High Occupancy Vehicle non-toll transactions.
(b) Tomball Tollway opened April 2015.
(c) Excluding Hurricane Harvey transactions.
(d) Including Hurricane Imelda transactions.

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

Toll Rate Schedule Effective as of September 12, 2015

	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 that conformed with rates established on existing sections of the HCTRA system which was approved in Court on July 30, 2019.

Note: Commissioner’s Court on May 14, 2019 approved HCTRA to defer toll rate adjustments scheduled to occur for calendar year 2019.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Selected Financial Information
For the Fiscal Years Ended February 28/29
Schedule 3
(Unaudited)

	2016	2017	2018 (Restated)	2019	2020
Operating Revenues					
Toll revenues	\$ 759,275,927	\$ 774,025,958	\$ 740,272,353	\$ 828,453,739	\$ 854,849,072
Intergovernmental revenues	2,995,091	19,175,649	-	1,403,438	-
Total Operating Revenues	<u>762,271,018</u>	<u>793,201,607</u>	<u>740,272,353</u>	<u>829,857,177</u>	<u>854,849,072</u>
Operating Expenses					
Salaries	57,562,773	65,351,353	97,121,258	70,363,249	73,982,379
Materials and supplies	12,595,180	20,875,511	19,098,352	17,767,336	13,044,999
Services and fees	150,321,298	151,572,050	125,440,763	143,268,214	159,654,875
Utilities	3,540,001	3,788,013	3,241,369	3,184,914	3,157,418
Transportation and travel	3,043,332	6,979,787	4,843,908	5,361,808	5,432,970
Depreciation	101,301,061	106,852,470	104,186,939	94,687,285	91,575,141
Total Operating Expenses	<u>328,363,645</u>	<u>355,419,184</u>	<u>353,932,589</u>	<u>334,632,806</u>	<u>346,847,782</u>
Income from Operations	<u>433,907,373</u>	<u>437,782,423</u>	<u>386,339,764</u>	<u>495,224,371</u>	<u>508,001,290</u>
Nonoperating Revenues					
Investment income	15,965,906	7,000,884	13,472,769	35,980,673	41,977,195
Lease revenues	18,900	18,900	18,900	19,260	12,915
Miscellaneous Income	46,073,792	3,031,204	1,060,384	2,210,729	4,311,958
Total Nonoperating Revenues	<u>62,058,598</u>	<u>10,050,988</u>	<u>14,552,053</u>	<u>38,210,662</u>	<u>46,302,068</u>
Nonoperating Expenses					
Interest expense	87,107,618	75,454,167	69,830,904	81,292,582	80,383,865
Bond Issuance Costs	1,744,844	3,233,525	3,403,805	68,216	696,525
Amortization expense	2,880,926	4,051,144	4,568,131	4,346,946	4,055,218
Other nonoperating expenses	3,163,575	327,654	1,006,771	2,106,007	6,106,568
Total Nonoperating Expenses	<u>94,896,963</u>	<u>83,066,490</u>	<u>78,809,611</u>	<u>87,813,751</u>	<u>91,242,176</u>
Net Income Before Contributions and Transfers Out	401,069,008	364,766,921	322,082,206	445,621,282	463,061,182
Transfers Out (a)	(124,031,107)	(134,000,000)	(127,615,000)	(135,000,000)	(136,866,977)
Change in Net Position	<u>\$ 277,037,901</u>	<u>\$ 230,766,921</u>	<u>\$ 194,467,206</u>	<u>\$ 310,621,282</u>	<u>\$ 326,194,205</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.

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

Fiscal Year Ended	Project Revenues	(a)		(b)		Revenues Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
		Other Earnings	Debt Service Senior Lien Revenue Bonds (c)	Coverage Ratio On Senior Lien Revenue Bonds	O & M Expenses			
2011	481,346,283	14,507,528	141,045,057	3.516	121,195,357	233,613,397	85,923,975	2.719
2012	519,296,886	45,625,135	140,612,020	4.018	120,679,625	303,630,376	85,172,767	3.565
2013	560,079,182	27,721,804	139,230,673	4.222	126,516,150	322,054,163	84,627,966	3.806
2014	609,965,677	5,293,713	147,728,476	4.165	136,373,150	331,157,764	73,812,290	4.486
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

(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 Debt Service Senior Lien Revenue amount for fiscal years 2011-2015 has been restated to include swap interest and certain other interest payments that were not previously included, to reflect debt service as defined in the bond indentures.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Revenues by Toll Road Components/Segments
For the Fiscal Years Ended February 28/29
Schedule 5
(Unaudited)

Component/Segment	2016	2017	2018	2019	2020
Hardy Toll Road-North (a)	\$ 31,084,565	\$ 26,437,979	\$ 31,570,462	\$ 39,120,204	\$ 40,617,925
Hardy Toll Road-South (a), (b)	35,037,979	31,638,787	34,312,141	41,896,623	42,946,953
Sam Houston Tollway-South (a)	105,326,514	105,453,467	103,138,124	115,451,242	115,747,311
Sam Houston Tollway-Central (a)	92,621,249	89,313,891	88,779,628	98,646,087	97,750,459
Sam Houston Tollway-North (a)	108,921,231	102,728,300	105,575,595	121,075,315	122,846,069
Sam Houston Ship Channel Bridge (a)	32,232,095	27,783,262	29,670,371	35,094,205	33,894,005
Sam Houston Tollway-East (a)	37,370,417	37,318,341	39,478,531	45,340,402	44,351,041
Sam Houston Tollway-South/East (a)	48,811,909	49,393,072	49,722,616	55,996,513	56,880,435
Sam Houston Tollway-South/West (a)	53,267,187	55,138,612	56,530,097	64,949,329	66,470,743
Sam Houston Tollway-North/East (a)	26,825,495	30,091,751	33,099,803	40,774,066	41,792,403
Westpark Tollway (a)	57,980,110	58,972,968	58,408,950	65,204,981	66,271,270
Fort Bend Parkway Extension (Spur 90A) (a)	5,772,065	6,172,055	6,577,661	7,998,962	8,273,271
Katy Managed Lanes (a)	18,344,245	18,442,791	20,406,431	22,487,976	20,736,704
Tomball Tollway (a), (c)	14,479,134	21,488,181	22,799,853	28,327,267	29,046,504
Administration (d)	50,166,867	56,521,738	44,878,302	26,172,098	42,324,975
IOP-BancPass (e)	-	1,074,735	926,500	9,206	-
IOP-CTRMA (e)	322,873	428,410	(166,879)	249,762	1,012,457
IOP-Fort Bend County (e)	3,330,295	3,675,862	(568,718)	4,414,336	4,657,515
IOP-KTA (e)	-	-	(177,924)	251,434	34,808
IOP-MCTRA (e)	180,767	340,662	6,387	194,924	91,210
IOP-METRO (e)	755,043	815,826	25,594	667,998	647,665
IOP-NTTA (e)	13,339,753	15,586,467	3,658,770	945,938	4,247,555
IOP-TTA (e)	23,106,134	35,208,801	11,620,058	13,184,871	14,161,252
IOP-OTA (e)	-	-	-	-	46,542
Total	<u>\$ 759,275,927</u>	<u>\$ 774,025,958</u>	<u>\$ 740,272,353</u>	<u>\$ 828,453,739</u>	<u>\$ 854,849,072</u>

- (a) IOP Toll Revenue is accounted for in the respective HCTRA Toll Plaza for each IOP Agency during FY18 - FY20 and is attributable to the Toll Interoperability Program, pursuant to various agreements. Includes adjustments made to IOP Accounts for variances between accrual and settlement amounts.
- (b) Includes toll revenues collected for the Airport Connector.
- (c) Tomball Tollway opened April 2015.
- (d) Consist of EZ tag sales fees, toll violation (VEC) revenue (excluding tolls), net of an allowance for uncollectible accounts, reimbursements to patrons for overpaid toll(s), collector/vault adjustments, and other miscellaneous revenues.
- (e) IOP Fee Revenues attributable to the Toll Interoperability Program, pursuant to various agreements, include adjustments made to IOP Account for variances between accrual and settlement amounts during FY18-FY20.

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

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 29,285,000	\$ 10,764,775	\$ 40,049,775	\$ 75,570,000	\$ 81,474,701	\$ 157,044,701	\$ 104,855,000	\$ 92,239,476	\$ 197,094,476
2022	19,445,000	9,485,612	28,930,612	79,885,000	79,326,211	159,211,211	99,330,000	88,811,823	188,141,823
2023	20,240,000	8,449,022	28,689,022	57,080,000	76,814,418	133,894,418	77,320,000	85,263,440	162,583,440
2024	20,700,000	7,384,903	28,084,903	60,005,000	73,887,293	133,892,293	80,705,000	81,272,196	161,977,196
2025	21,165,000	6,297,059	27,462,059	63,085,000	70,810,043	133,895,043	84,250,000	77,107,102	161,357,102
2026	12,070,000	5,430,338	17,500,338	66,320,000	67,574,918	133,894,918	78,390,000	73,005,256	151,395,256
2027	12,090,000	4,796,138	16,886,138	69,690,000	64,201,525	133,891,525	81,780,000	68,997,663	150,777,663
2028	12,115,000	4,160,756	16,275,756	73,235,000	60,658,950	133,893,950	85,350,000	64,819,706	150,169,706
2029	12,135,000	3,524,194	15,659,194	76,965,000	56,930,093	133,895,093	89,100,000	60,454,287	149,554,287
2030	12,160,000	2,886,450	15,046,450	80,855,000	53,037,494	133,892,494	93,015,000	55,923,944	148,938,944
2031	12,185,000	2,247,394	14,432,394	84,930,000	48,962,094	133,892,094	97,115,000	51,209,488	148,324,488
2032	12,210,000	1,607,025	13,817,025	89,245,000	44,646,494	133,891,494	101,455,000	46,253,519	147,708,519
2033	12,240,000	965,213	13,205,213	93,825,000	40,069,744	133,894,744	106,065,000	41,034,957	147,099,957
2034	12,265,000	321,956	12,586,956	98,480,000	35,412,119	133,892,119	110,745,000	35,734,075	146,479,075
2035	-	-	-	103,160,000	30,734,242	133,894,242	103,160,000	30,734,242	133,894,242
2036	-	-	-	107,865,000	26,028,369	133,893,369	107,865,000	26,028,369	133,893,369
2037	-	-	-	55,795,000	22,113,400	77,908,400	55,795,000	22,113,400	77,908,400
2038	-	-	-	46,585,000	19,924,625	66,509,625	46,585,000	19,924,625	66,509,625
2039	-	-	-	48,385,000	18,135,375	66,520,375	48,385,000	18,135,375	66,520,375
2040	-	-	-	36,755,000	16,382,075	53,137,075	36,755,000	16,382,075	53,137,075
2041	-	-	-	38,100,000	14,665,000	52,765,000	38,100,000	14,665,000	52,765,000
2042	-	-	-	32,020,000	12,988,450	45,008,450	32,020,000	12,988,450	45,008,450
2043	-	-	-	36,800,000	11,299,350	48,099,350	36,800,000	11,299,350	48,099,350
2044	-	-	-	38,465,000	9,479,925	47,944,925	38,465,000	9,479,925	47,944,925
2045	-	-	-	40,090,000	7,697,275	47,787,275	40,090,000	7,697,275	47,787,275
2046	-	-	-	41,770,000	5,956,825	47,726,825	41,770,000	5,956,825	47,726,825
2047	-	-	-	43,335,000	4,143,925	47,478,925	43,335,000	4,143,925	47,478,925
2048	-	-	-	45,060,000	2,256,850	47,316,850	45,060,000	2,256,850	47,316,850
2049	-	-	-	30,965,000	688,425	31,653,425	30,965,000	688,425	31,653,425
2050	-	-	-	2,760,000	41,400	2,801,400	2,760,000	41,400	2,801,400
Total	\$ 220,305,000	\$ 68,320,835	\$ 288,625,835	\$ 1,817,080,000	\$ 1,056,341,608	\$ 2,873,421,608	\$ 2,037,385,000	\$ 1,124,662,443	\$ 3,162,047,443

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

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

<u>Issue</u>	<u>Date Issued</u>	<u>Outstanding Principal Amount at February 29, 2020</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	\$ 26,005,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	194,300,000
TOTAL		<u><u>\$ 220,305,000</u></u>

**TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS
Schedule 8
(Unaudited)**

The Series 2007B, Series 2010D, Series 2012B, Series 2012C, Series 2015B, Series 2016A, Series 2018A, and 2019A are referred to as the “Senior Lien Revenue Bonds”.

<u>Issue</u>	<u>Outstanding Principal Amount at February 29, 2020</u>
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2007B	145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2010D	22,775,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2012B	94,740,000
Refunding Bonds Series 2012C	229,695,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2015B	161,575,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2016A	526,255,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2018A	546,215,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2019A	<u>90,255,000</u>
TOTAL	<u>\$ 1,817,080,000</u>

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2020-2021
Schedule 9
(Unaudited)**

On February 11, 2020 the Commissioners Court adopted the budget for the County for the Fiscal Year 2020-2021. The Fiscal Year 2021 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2020-2021 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2020	\$ 1,306,540,386
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,563,921,063
Charges for Services	258,084,075
Fines and Forfeitures	14,205,655
Intergovernmental Revenues	66,827,493
Interest	21,841,352
Other	40,497,532
Total Cash and Estimated Revenues	<u><u>\$ 3,271,917,556</u></u>
Appropriations:	
Current Operating Expenses	\$ 3,256,523,610
Capital Outlay:	
Roads	2,772,030
Parks	12,621,916
Total Appropriations	<u><u>\$ 3,271,917,556</u></u>

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

County Capital Projects Funds are used in projects including construction of roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 29, 2020 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	\$ 168,746,441
Permanent Improvements	36,997,486
Flood Control	<u>120,585,757</u>
Total	<u>\$ 326,329,684</u>

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY ASSESSED VALUES AND TAX RATES
(EXCEPT FLOOD CONTROL DISTRICT)
LAST TEN FISCAL YEARS
Schedule 11
(Unaudited)
(amounts in thousands)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Less Exemptions (a)</u>	<u>Total Taxable Assessed Value</u>	<u>M&O Tax Rate</u>	<u>Debt Service Tax Rate</u>	<u>Total County Tax Rate</u>
2011	307,139,208	51,636,041	85,743,093	273,032,156	0.33401	0.05404	0.38805
2012	313,475,950	51,539,733	88,299,285	276,716,398	0.33444	0.05673	0.39117
2013	324,827,229	57,313,966	91,639,208	290,501,987	0.33271	0.06750	0.40021
2014	347,626,720	62,743,816	93,848,695	316,521,841	0.34547	0.06908	0.41455
2015	384,362,133	65,476,453	99,412,873	350,425,713	0.34547	0.07184	0.41731
2016	425,362,614	74,298,323	108,139,145	391,521,792	0.34547	0.07376	0.41923
2017	465,761,511	71,377,390	115,700,039	421,438,862	0.34500	0.07156	0.41656
2018	486,039,747	67,481,606	117,128,669	436,392,684	0.34500	0.07301	0.41801
2019	506,160,004	69,574,097	127,319,737	448,414,364	0.35000	0.06858	0.41858
2020	545,499,934	72,456,577	135,755,513	482,200,998	0.34174	0.06539	0.40713

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

Source: Harris County Appraisal District.

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY TAX LEVIES AND COLLECTIONS
(EXCEPT FLOOD CONTROL DISTRICT)**

LAST TEN FISCAL YEARS

Schedule 12

(Unaudited)

(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2011	1,058,623	1,050,068	987,684	93.3	60,386	1,048,070	99.8
2012	1,081,861	1,073,234	1,022,187	94.5	49,006	1,071,193	99.8
2013	1,160,905	1,150,796	1,100,588	94.8	48,123	1,148,711	99.8
2014	1,308,910	1,292,555	1,247,389	95.3	42,926	1,290,315	99.8
2015	1,459,066	1,439,640	1,390,628	95.3	45,532	1,436,160	99.8
2016	1,637,031	1,621,237	1,554,734	95.0	62,143	1,616,877	99.7
2017	1,754,007	1,714,255	1,663,289	94.8	46,268	1,709,557	99.7
2018	1,822,187	1,789,153	1,723,979	94.6	58,069	1,782,048	99.6
2019	1,876,068	1,848,283	1,787,008	95.3	48,590	1,835,598	99.3
2020	1,961,756	1,961,756	1,867,058	95.2	-	1,867,058	95.2

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)
Schedule 13
(Unaudited)

Taxpayers	2020			2011		
	2019 Taxable Valuations (a)	Rank	Percentage of Total 2019 Taxable Valuation (b)	2010 Taxable Valuations (c)	Rank	Percentage of Total 2010 Taxable Valuation (c)
Exxon Mobil Corp	\$ 4,228,841	1	0.90%	\$ 2,699,284	1	0.99%
Chevron Chemical Company	3,866,104	2	0.82	1,294,400	4	0.47
Centerpoint Energy Hou Ele	3,678,077	3	0.78	2,397,515	2	0.88
Shell Oil Co	1,962,849	4	0.42	1,862,692	3	0.68
Equistar Chemicals LP	1,748,051	5	0.37	888,184	10	0.33
Palmetto TransOceanic LLC	1,202,472	6	0.25	-		0.00
Enterprise	1,201,955	7	0.25	-		0.00
Valero Energy Corp	1,035,552	8	0.22	-		0.00
National Oilwell Varco	954,122	9	0.20	1,225,750	5	0.45
Walmart	930,843	10	0.20	731,711	12	0.27
PKY 2121 1-4, POC, San Felipe Plaza	843,913	11	0.18	-		0.00
United Airlines INC	789,401	12	0.17	-		0.00
One Two Three Allen Center	755,054	13	0.16	-		0.00
BSREP 1HC - 4HC	786,878	14	0.17	-		0.00
Magellan Terminal	728,895	15	0.15	-		0.00
Hines Interests Ltd Partnership	-		0.00	1,065,135	6	0.39
Crescent Real Estate	-		0.00	1,028,245	7	0.38
Houston Refining	-		0.00	953,784	8	0.35
Hewlett Packard Company	-		0.00	915,543	9	0.34
AT&T Corporation	-		0.00	871,762	11	0.32
Lyondell Chemical	-		0.00	634,045	13	0.23
Cullen Allen Holdings LP	-		0.00	632,089	14	0.23
Amoco Chemical Company	-		0.00	550,690	15	0.20
Total	\$ 24,713,007		5.24%	\$ 17,750,829		6.50%

Source: Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the County's total taxable value as of February 29, 2020.
- (c) Based on the County's total taxable value as of February 28, 2011.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY TAX DEBT OUTSTANDING
Schedule 14
(Unaudited)

	<u>County's Total Outstanding Tax Debt (a)</u>
Limited Tax Debt	\$ 833,717,125
Unlimited Tax Debt	644,980,000
Flood Control	406,485,000
Toll Road Tax Bonds	<u>220,305,000</u>
Total	\$ 2,105,487,125
Less: Toll Road Tax Bonds	<u>(220,305,000)</u>
Total (Approximately 0.39% of 2019 Assessed Value)	<u><u>\$ 1,885,182,125</u></u>

(a) Excluding Flood Control District debt of \$83,075,000 paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY HISTORICAL TAX DEBT OUTSTANDING
Schedule 15
(Unaudited)

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 2010-11 through 2019-20.

Fiscal Year	County's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
2011	\$ 2,925,447	\$ 273,032,156	1.07	4,092,459	\$ 715
2012	2,990,172	276,716,398	1.08	4,178,574	716
2013	2,825,047	290,501,987	0.97	4,253,700	664
2014	2,713,804	316,521,841	0.86	4,336,853	626
2015	2,765,888	350,425,713	0.79	4,441,370	623
2016	2,759,388	391,521,792	0.70	4,538,028	608
2017	2,606,518	421,438,862	0.62	4,589,928	568
2018	2,484,769	436,392,684	0.57	4,652,980	534
2019	2,299,408	448,414,364	0.51	4,698,619	489
2020	2,105,487	482,200,998	0.44	4,713,325	447

- (a) Includes debt paid for by the County's ad valorem tax revenues.
- (b) Taxable values are net of exemptions and abatements. Property is assessed at 100% of appraised value.
- (c) Source: Bureau of the Census.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
SCHEDULE OF COUNTY-WIDE AD VALOREM TAX DEBT SERVICE REQUIREMENTS
SCHEDULE 16
(Unaudited)
(amounts in thousands)

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 84,785	\$ 39,136	\$ 123,921	\$ 51,875	\$ 31,680	\$ 83,555	\$ 29,285	\$ 10,765	\$ 40,050	\$ 27,750	\$ 22,809	\$ 50,559	\$ 193,695	\$ 104,390	\$ 298,085
2022	92,795	35,214	128,009	34,800	29,385	64,185	19,445	9,486	28,931	30,980	21,749	52,729	178,020	95,834	273,854
2023	71,510	30,780	102,290	64,475	27,671	92,146	20,240	8,449	28,689	30,435	20,123	50,558	186,660	87,023	273,683
2024	55,471	39,121	94,592	66,375	24,549	90,924	20,700	7,385	28,085	31,955	19,601	51,556	174,501	90,656	265,157
2025	82,187	37,146	119,333	59,120	21,296	80,416	21,165	6,297	27,462	33,135	17,004	50,139	195,607	81,743	277,350
2026	47,264	33,559	80,823	49,800	18,391	68,191	12,070	5,430	17,500	37,220	15,743	52,963	146,354	73,123	219,477
2027	58,965	19,067	78,032	50,135	15,901	66,036	12,090	4,796	16,886	38,655	13,883	52,538	159,845	53,647	213,492
2028	60,150	16,096	76,246	50,490	13,394	63,884	12,115	4,161	16,276	39,530	11,950	51,480	162,285	45,601	207,886
2029	41,315	27,540	68,855	50,985	10,870	61,855	12,135	3,524	15,659	40,530	9,973	50,503	144,965	51,907	196,872
2030	32,070	11,246	43,316	41,080	8,320	49,400	12,160	2,886	15,046	39,555	7,947	47,502	124,865	30,399	155,264
2031	33,500	9,618	43,118	38,915	6,267	45,182	12,185	2,247	14,432	26,820	5,969	32,789	111,420	24,101	135,521
2032	34,995	7,953	42,948	39,480	4,317	43,797	12,210	1,607	13,817	10,370	4,967	15,337	97,055	18,844	115,899
2033	32,285	6,203	38,488	15,050	2,373	17,423	12,240	965	13,205	10,890	4,448	15,338	70,465	13,989	84,454
2034	11,005	5,134	16,139	15,805	1,620	17,425	12,265	322	12,587	11,435	3,904	15,339	50,510	10,980	61,490
2035	11,555	4,584	16,139	16,595	830	17,425	-	-	-	12,005	3,332	15,337	40,155	8,746	48,901
2036	12,130	4,006	16,136	-	-	-	-	-	-	12,605	2,732	15,337	24,735	6,738	31,473
2037	10,880	3,400	14,280	-	-	-	-	-	-	13,115	2,228	15,343	23,995	5,628	29,623
2038	11,420	2,856	14,276	-	-	-	-	-	-	13,640	1,703	15,343	25,060	4,559	29,619
2039	12,000	2,285	14,285	-	-	-	-	-	-	14,185	1,157	15,342	26,185	3,442	29,627
2040	12,600	1,685	14,285	-	-	-	-	-	-	14,750	590	15,340	27,350	2,275	29,625
2041	13,190	1,089	14,279	-	-	-	-	-	-	-	-	-	13,190	1,089	14,279
2042	3,730	466	4,196	-	-	-	-	-	-	-	-	-	3,730	466	4,196
2043	3,880	317	4,197	-	-	-	-	-	-	-	-	-	3,880	317	4,197
2044	4,035	161	4,196	-	-	-	-	-	-	-	-	-	4,035	161	4,196
Total	\$ 833,717	\$ 338,662	\$ 1,172,379	\$ 644,980	\$ 216,864	\$ 861,844	\$ 220,305	\$ 68,320	\$ 288,625	\$ 489,560	\$ 191,812	\$ 681,372	\$ 2,188,562	\$ 815,658	\$ 3,004,220

(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 17
(Unaudited)
(Amounts in Thousands)**

As of February 29, 2020, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2007, November 2015, and August 2018 remain unissued.

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

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$	33,000
Parks		52,876
Forensic Lab		5,431
Family Law Center		70,000
Animal Shelter		<u>5,475</u>
Total Limited Tax Bonds	\$	166,782
Unlimited Tax:		
Road Bonds		<u>659,330</u>
Total Unlimited Tax Bonds		659,330
Combination Unlimited Tax and Revenue:		
Toll Roads		<u>15,148</u>
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		<u>2,419,190</u>
Total Harris County Ad Valorem Tax Bonds		<u>3,260,450</u>
Total Authorized but Unissued Bonds		<u><u>\$3,260,450</u></u>

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY GENERAL FUND BALANCES
LAST TEN FISCAL YEARS (modified accrual basis of accounting)
Schedule 18
(amounts in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Harris County General Fund:										
Reserved	\$ 341,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(22,290)	-	-	-	-	-	-	-	-	-
Nonspendable	-	4,840	4,463	5,134	6,805	7,958	8,733	8,406	9,325	13,053
Restricted	-	280,566	347,309	429,372	462,289	530,903	546,614	512,963	532,074	533,152
Committed	-	2,120	2,847	2,508	-	-	-	-	-	-
Assigned	-	33,491	24,013	14,622	16,833	27,856	23,822	50,988	40,139	31,299
Unassigned	-	91,927	189,799	355,857	549,705	782,372	1,008,332	1,162,835	1,287,968	1,473,158
Total General Fund	<u>\$ 318,849</u>	<u>\$ 412,944</u>	<u>\$ 568,431</u>	<u>\$ 807,493</u>	<u>\$ 1,035,632</u>	<u>\$ 1,349,089</u>	<u>\$ 1,587,501</u>	<u>\$ 1,735,192</u>	<u>\$ 1,869,506</u>	<u>\$ 2,050,662</u>

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Schedule 19
(Unaudited)**

	Full-time Equivalent Employees as of February 28/29									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration of Justice	8,779	8,462	8,723	9,290	9,625	9,768	9,824	10,275	10,181	10,909
Parks	670	625	675	700	805	867	892	913	924	899
County Administration	3,032	2,901	2,957	3,021	3,166	3,280	3,406	3,460	3,481	3,054
Health and Human Services	1,467	1,385	1,326	1,334	1,369	1,432	1,450	1,488	1,487	1,622
Flood Control	335	308	290	300	291	287	293	290	316	325
Tax Administration	378	341	340	349	348	368	353	368	365	418
Roads and Bridges	597	561	536	550	448	451	563	568	542	659

Note: (1) As of February 29, 2020, it is estimated that approximately 4,490 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.