This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 2023

NEW ISSUES – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Bracewell LLP, Tax Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

$230,000,000*
HARRIS COUNTY, TEXAS
Consisting of:

$130,000,000* PERMANENT IMPROVEMENT REFUNDING BONDS, SERIES 2023A	$100,000,000* UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2023A
CUSIP Prefix: 414005	**CUSIP Prefix:** 414005

Interest Accrual Date: Date of Delivery, as defined below **Due:** September 15, as shown on pages i and ii

The Harris County, Texas Permanent Improvement Refunding Bonds, Series 2023A (the "Permanent Improvement Bonds") and Unlimited Tax Road Refunding Bonds, Series 2023A (the "Road Bonds" and together with the Permanent Improvement Bonds, the "Bonds") are being issued by Harris County, Texas (the "County") pursuant to the constitution and laws of the State of Texas (the "State"), particularly Chapters 1207, 1371 and 1471, Texas Government Code, as amended, two separate orders of the Commissioners Court of the County, which is the governing body of the County, adopted on July 18, 2023 authorizing the issuance of the Bonds (together, the "Orders"), and an officer's pricing certificate for each series of Bonds executed by an authorized representative of the County.

The Permanent Improvement Bonds are being issued for the purpose of (i) refunding and defeasing all or a portion of the County's General Obligation Commercial Paper Notes, Series B, Series D, and Series D-2, as set forth in SCHEDULE I in order to provide long-term financing, and (ii) paying costs of issuance related to the Permanent Improvement Bonds. See "PURPOSE AND PLAN OF FINANCE." The Permanent Improvement Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County. See "THE BONDS – Source of Payment."

The Road Bonds are being issued for the purpose of (i) refunding and defeasing all or a portion of the County's General Obligation Commercial Paper Notes, Series C and Series D-3, as set forth in SCHEDULE I in order to provide long-term financing, and (ii) paying the costs of issuance related to the Road Bonds. See "PURPOSE AND PLAN OF FINANCE." The Road Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the County. See "THE BONDS – Source of Payment."

Principal of the Bonds will be paid at maturity only upon presentation and surrender at the payment office of The Bank of New York Mellon Trust Company, N.A., a limited purpose national banking association with trust powers (the "Paying Agent/Registrar"). Interest on the Bonds accrues from their Date of Delivery to the underwriters listed below (the "Underwriters") and is payable on March 15 and September 15 of each year, commencing March 15, 2024. See "THE BONDS – Description."

Certain of the Bonds are subject to optional and mandatory redemption prior to their scheduled maturities as described herein. See "THE BONDS - Redemption of the Bonds." The Bonds are issuable only in fully registered form in principal denominations of $5,000 of principal amount or integral multiples thereof. The Bonds are initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, the Bonds will be payable to Cede & Co., which will, in turn, remit such payments to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX D – BOOK-ENTRY-ONLY SYSTEM."

SEE PAGES i AND ii FOR MATURITY, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

The Bonds are offered for delivery, when, as, and if issued by the County and received by the Underwriters, subject to the approving opinion of the Attorney General of the State of Texas and the legal opinions of Bracewell LLP, Houston, Texas, Co-Bond Counsel and Tax Counsel, and West & Associates, L.L.P., Houston, Texas, Co-Bond Counsel, as to the validity of the Bonds under the Constitution and the laws of the State. Certain legal matters will be passed upon for the County by Christian D. Menefee, County Attorney, and Norton Rose Fulbright US LLP, Houston, Texas and Leon Alcala, PLLC, Houston, Texas, Co-Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their Co-Counsel, Haynes and Boone, LLP, Houston, Texas and Bratton & Associates, PLLC, Houston, Texas. The Bonds are expected to be available for delivery through DTC on or about August 23, 2023 (the "Date of Delivery").

SIEBERT WILLIAMS SHANK & CO., LLC

BARCLAYS **STIFEL**

FHN FINANCIAL CAPITAL MARKETS **HUNTINGTON CAPITAL MARKETS**

SMBC NIKKO **WELLS FARGO SECURITIES**

* Preliminary, subject to change.

MATURITY, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS

$130,000,000*

HARRIS COUNTY, TEXAS
PERMANENT IMPROVEMENT REFUNDING BONDS,
SERIES 2023A

Serial Bonds

Maturity[1] (September 15)	Principal Amount	Interest Rate	Initial Yield [2]	CUSIP No.[3]
	$	%	%	

Term Bonds

$_______ Term Bond Due September 15, 20__[1] [4], ___%, Initial Yield[2] _____% CUSIP No.[3] ________

$_______ Term Bond Due September 15, 20__[1] [4], ___%, Initial Yield[2] _____% CUSIP No.[3] ________

____

* Preliminary, subject to change.

(1) The County reserves the right to redeem the Permanent Improvement Bonds maturing on or after September 15, 20__, in whole or from time to time in part, on September 15, 20__, or on any date thereafter at par plus accrued interest on the Permanent Improvement Bonds called for redemption to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds."

(2) The initial yields will be established by and are the sole responsibility of the Underwriters and may subsequently be changed.

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the County, the Co-Financial Advisors or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(4) Subject to mandatory sinking fund redemption as described in "THE BONDS – Redemption of the Bonds – *Mandatory Sinking Fund Redemption*."

$100,000,000*
HARRIS COUNTY, TEXAS
UNLIMITED TAX ROAD REFUNDING BONDS,
SERIES 2023A

Serial Bonds

Maturity[(1)] (September 15)	Principal Amount	Interest Rate	Initial Yield [(2)]	CUSIP No.[(3)]
	$	%	%	

Term Bonds

$_______ Term Bond Due September 15, 20__[(1)][(4)], ___%, Initial Yield[(2)] _____% CUSIP No.[(3)] ________

$_______ Term Bond Due September 15, 20__[(1)][(4)], ___%, Initial Yield[(2)] _____% CUSIP No.[(3)] ________

____

* Preliminary, subject to change.

(1) The County reserves the right to redeem the Road Bonds maturing on or after September 15, 20__, in whole or from time to time in part, on September 15, 20__, or on any date thereafter at par plus accrued interest on the Road Bonds called for redemption to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds."

(2) The initial yields will be established by and are the sole responsibility of the Underwriters and may subsequently be changed.

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the County, the Co-Financial Advisors or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(4) Subject to mandatory sinking fund redemption as described in "THE BONDS – Redemption of the Bonds – *Mandatory Sinking Fund Redemption*."

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For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended, and in effect on the date of this Preliminary Official Statement (the "Rule"), this document constitutes an Official Statement of the County with respect to the Bonds that has been "deemed final" by the County as of its date, except for the omission of no more than the information permitted by the Rule.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED AND HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The information set forth herein has been furnished by the County and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the County or the other matters described herein since the date hereof.

Neither The Bank of New York Mellon Trust Company, N.A., in its capacity as Paying Agent/Registrar, nor U.S. Bank Trust Company, National Association, in its capacity as Refunded Notes Paying Agent, has participated in the preparation of this Official Statement and assumes no responsibility for its content.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the County or from the Co-Financial Advisors to the County. Any statements made in this Official Statement or the Schedules, if any, or Appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "project," "expect," "estimate," "budget" or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectation or performance that involves known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. Although the County currently publishes certain monthly financial reports that are available upon written request from the County to the extent permitted by applicable law, the County reserves the right to discontinue or modify this practice at any time, and the County does not plan to issue any other updates or revisions to any forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The order and placement of information in this Official Statement, including the Schedules and Appendices hereto, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the Schedules and Appendices hereto, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

This Official Statement is delivered in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the County to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the County, any Underwriter or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

The prices of the Bonds may be changed from time to time by the Underwriters after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY

This summary is furnished to provide limited introductory information regarding the terms of the Bonds and is qualified by the more detailed descriptions appearing in this Official Statement and the schedules and appendices hereto. The offering of the Bonds is made only by means of this entire Official Statement, and no person is authorized to make offers to sell or to solicit offers to buy the Bonds unless the entire Official Statement is delivered. Certain terms used in this summary are defined elsewhere in this Official Statement.

The Bonds .... The Harris County, Texas (the "County") Permanent Improvement Refunding Bonds, Series 2023A (the "Permanent Improvement Bonds") and Unlimited Tax Road Refunding Bonds, Series 2023A (the "Road Bonds" and together with the Permanent Improvement Bonds, the "Bonds") are being issued in the principal amounts shown on pages i and ii of this Official Statement.

Use of Proceeds .... The Permanent Improvement Bonds are being issued for the purpose of (i) refunding and defeasing all or a portion of the County's outstanding General Obligation Commercial Paper Notes, Series B, Series D, and Series D-2, as set forth in SCHEDULE I in order to provide long-term financing, and (ii) paying costs of issuance related to the Permanent Improvement Bonds. See "PURPOSE AND PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Road Bonds are being issued for the purpose of (i) refunding and defeasing all or a portion of the County's outstanding General Obligation Commercial Paper Notes, Series C and Series D-3 as set forth in SCHEDULE I in order to provide long-term financing, and (ii) paying costs of issuance related to the Road Bonds. See "PURPOSE AND PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Maturity .... The Bonds mature on the dates and in the principal amounts set out on pages i and ii hereof. See also "THE BONDS – Description."

Interest .... Interest on the Bonds accrues from the Date of Delivery and is payable on March 15 and September 15 of each year, commencing March 15, 2024.

Redemption .... Certain of the Bonds are subject to optional and mandatory redemption prior to their scheduled maturities, as described herein. See "THE BONDS – Redemption of the Bonds."

Security for the Bonds .... The Permanent Improvement Bonds are secured by and payable from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County. See "THE BONDS – Source of Payment."

The Road Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the County. See "THE BONDS – Source of Payment."

Book-Entry-Only System .... The Bonds are initially issuable only to Cede & Co., the nominee of DTC pursuant to a book-entry-only system. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal and interest will be paid to Cede & Co., which will distribute such payments to the participating members of DTC for remittance to the beneficial owners of the Bonds. See "APPENDIX D – BOOK-ENTRY-ONLY SYSTEM."

Payment Record .... The County has never defaulted in the payment of principal of or interest on any of its debt.

Municipal Bond Ratings .... Moody's Investors Service, Inc. and Kroll Bond Rating Agency, LLC have assigned credit ratings of "Aaa" and "AAA," respectively, to the Bonds. See "RATINGS."

Paying Agent/Registrar .... The initial paying agent for the Bonds is The Bank of New York Mellon Trust Company, N.A., a limited purpose national banking association with trust powers.

Issuing Agent, Paying Agent, and Escrow Agent (Refunded Notes)	The issuing agent, paying agent, and escrow agent for the Refunded Notes is U.S. Bank Trust Company, National Association, a limited purpose national banking association with trust powers.
Tax Exemption	In the opinion of Bracewell LLP, Tax Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
Change in County Fiscal Year	On February 8, 2022, Commissioners Court implemented a Fiscal Year end change for the County, as follows: • Prior Fiscal Year End: Last Day of February (February 28/29) • New Fiscal Year End: September 30 With this change in the Fiscal Year end, there was a transitional seven-month fiscal period for the County from March 1, 2022, to September 30, 2022. The County prepared financial statements and subjected them to an audit for the transitional seven-month period. The next full Fiscal Year is the twelve-month period that began on October 1, 2022 and ends on September 30, 2023. On February 16, 2022, the County notified the MSRB with a filing on EMMA regarding this change. If the County changes its Fiscal Year in the future, the County will again notify the MSRB of the change. The County's audited basic financial statements for the seven-month period ended September 30, 2022 are attached hereto as APPENDIX A-2.

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OFFICIAL STATEMENT

$230,000,000*
HARRIS COUNTY, TEXAS
Consisting of:

$130,000,000* **PERMANENT IMPROVEMENT REFUNDING BONDS, SERIES 2023A**	**$100,000,000*** **UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2023A**

INTRODUCTION

This Official Statement is furnished in connection with the offering by Harris County, Texas (the "County"), of its Permanent Improvement Refunding Bonds, Series 2023A (the "Permanent Improvement Bonds") and Unlimited Tax Road Refunding Bonds, Series 2023A (the "Road Bonds" and together with the Permanent Improvement Bonds, the "Bonds"). The Bonds are being issued pursuant to the constitution and laws of the State of Texas (the "State"), including, particularly Chapters 1207, 1371 and 1471, Texas Government Code, as amended, two separate orders of the Commissioners Court (the "Commissioners Court") of the County, acting as the governing body of the County adopted on July 18, 2023 authorizing the issuance of the Bonds (together, the "Orders"), and an officer's pricing certificate for each series executed by an authorized representative of the County.

The Permanent Improvement Bonds are being issued for the purposes of (i) refunding and defeasing all or a portion of the County's outstanding General Obligation Commercial Paper Notes, Series B, Series D, and Series D-2 as set forth in SCHEDULE I in order to provide long-term financing, and (ii) paying costs of issuance related to the Permanent Improvement Bonds. See "PURPOSE AND PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The Permanent Improvement Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County. See "THE BONDS – Source of Payment."

The Road Bonds are being issued for the purposes of (i) refunding and defeasing all or a portion of the County's outstanding General Obligation Commercial Paper Notes, Series C and Series D-3 as set forth in SCHEDULE I in order to provide long-term financing, and (ii) paying the costs of issuance related to the Road Bonds. See "PURPOSE AND PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF BONDS." The Road Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the County. See "THE BONDS – Source of Payment."

Principal of the Bonds will be paid at maturity only upon presentation and surrender at the payment office of The Bank of New York Mellon Trust Company, N.A., a limited purpose national banking association with trust powers or its successor (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the Date of Delivery (as defined on the cover) and is payable on March 15 and September 15 of each year, commencing March 15, 2024. See "THE BONDS – Description."

PURPOSE AND PLAN OF FINANCE

Refunded Notes

Permanent Improvement Bonds

A portion of the proceeds of the Permanent Improvement Bonds are being issued to refund and defease all or a portion of the County's Outstanding General Obligation Commercial Paper Notes, Series B, Series D, and Series D-2 (the "Permanent Improvement Refunded Notes").

A portion of the proceeds of the Permanent Improvement Bonds, together with other lawfully available funds, if any, will be deposited to an escrow fund (the "PIB Refunded Notes Escrow" and together with the Road Refunded Notes Escrow, as defined below, the "Escrow Funds") created under an escrow agreement relating to the Permanent Improvement Refunded Notes, to be entered into by the County and U.S. Bank Trust Company, National Association, the issuing and paying agent for the Permanent Improvement Refunded Notes and the hereinafter defined Road Refunded Notes (the "Refunded Notes Escrow Agent"). The County's deposit will be sufficient to pay the principal of and interest on the Permanent Improvement Refunded Notes. By making such deposit with the Refunded Notes Paying Agent, the County will have made firm banking and financial arrangements for the discharge and final payment of the Permanent Improvement Refunded Notes pursuant to the provisions of Chapter 1207, Texas Government Code, as amended. The County may use all or a portion of the Escrow Funds to purchase a portfolio of securities

* Preliminary, subject to change.

authorized under State law (the "Escrowed Securities"). Such investment returns on the Escrowed Securities, if any, will not be necessary for the final payment and discharge of the Permanent Improvement Refunded Notes, and any such surplus amounts will be placed in the debt service fund for the Permanent Improvement Bonds when received by the County.

Road Bonds

A portion of the proceeds of the Road Bonds are being issued to refund and defease all or a portion of the County's Outstanding General Obligation Commercial Paper Notes, Series C and Series D-3 (the "Road Refunded Notes," and collectively with the Permanent Improvement Refunded Notes, the "Refunded Notes").

A portion of the proceeds of the Road Bonds, together with other lawfully available funds, if any, will be deposited into an escrow fund (the "Road Refunded Notes Escrow") created under an escrow agreement relating to the Road Refunded Notes, to be entered into by the County and the Refunded Notes Escrow Agent. The County's deposit will be sufficient to pay the principal of and interest on the Road Refunded Notes on the scheduled maturity dates thereof without further investment. By making such deposit with the Refunded Notes Paying Agent, the County will have made firm banking and financial arrangements for the discharge and final payment of the Road Refunded Notes pursuant to the provisions of Chapter 1207, Texas Government Code, as amended. The County, however, may use all or a portion of the funds deposited into the Road Refunded Notes Escrow to purchase a portfolio of securities authorized under State law (the "Road Escrowed Securities"). Such investment returns on the Road Escrowed Securities, if any, will not be necessary for the final payment and discharge of the Road Refunded Notes, and any such surplus amounts will be placed in the debt service fund for the Road Bonds when received by the County.

ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the estimated sources and uses of proceeds of the Bonds and certain other lawfully available funds:

SOURCES AND USES OF FUNDS	Permanent Improvement Bonds	Road Bonds	Total
SOURCES OF FUNDS:			
Par Amount of Bonds....................................			
[Net] Original Issue Premium/Discount..........			
County Contribution [(1)]			
TOTAL SOURCES..			
USES OF FUNDS:			
Deposit to Refunded Notes Escrow Agent			
Underwriters' Discount..................................			
Costs of Issuance[(2)]...			
TOTAL USES..			

(1) The County will pay the interest due on the Refunded Notes from other lawfully available funds.
(2) Includes legal fees of counsels to the County, rating agency fees, fees of the Paying Agent/Registrar, fees of the Escrow Agent and Refunded Notes Paying Agent and other costs of issuance.

THE BONDS

Source of Payment

The Permanent Improvement Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County. The Road Bonds are secured by and payable from the receipt of an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the County. See "AD VALOREM TAXES," "TAX RATE LIMITATIONS" and "COUNTY-WIDE AD VALOREM TAXES." Pursuant to the provisions of the Orders, the Commissioners Court, as the governing body of the County, has levied and agreed to assess and collect such annual ad valorem taxes. Each year the Commissioners Court will make a determination of the specific amount to be collected to pay interest as it accrues and principal as it matures on the Bonds and will formally levy such taxes for that year. The receipts of the taxes are to be credited to the respective debt service fund for the respective series of Bonds established by the Orders to be used solely for the payment of the principal of and interest on such Bonds.

Description

The Bonds mature on the dates and in the amounts as set forth on pages i and ii of this Official Statement. Interest on the Bonds accrues from the Date of Delivery to the underwriters named on the cover page of this Official Statement (the "Underwriters") and is payable on March 15 and September 15 of each year, commencing March 15, 2024, until maturity or prior redemption. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds will be paid at maturity or prior redemption by the Paying Agent/Registrar.

The Bonds will be issued in fully-registered form, in denominations of $5,000 of principal amount, or any integral multiple thereof. The Bonds may be successively registered and transferred at no cost to the owners, except any tax or governmental charge in connection therewith. The principal of the Bonds will be payable upon maturity upon presentation and surrender at the payment office of the Paying Agent/Registrar. The payment office of the Paying Agent/Registrar is presently located in Dallas, Texas. Interest on the Bonds is payable to the registered owners thereof, as shown on the registration books maintained by the Paying Agent/Registrar at the close of business on the last business day of the month next preceding an interest payment date (the "Record Date"), by check sent by United States mail, first class, postage prepaid, by the Paying Agent/Registrar to the address of the registered owner shown on such registration books or by such other method of payment requested by, and at the risk and expense of, the registered owner and acceptable to the Paying Agent/Registrar.

See "APPENDIX D – BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Redemption of the Bonds

Optional Redemption.

Permanent Improvement Bonds. The Permanent Improvement Bonds maturing on or after September 15, 20___, are subject to optional redemption in whole or from time to time in part at any time on or after September 15, 20___, at a redemption price of 100% of the principal amount thereof plus accrued interest, if any, to, but not including, the redemption date.

Road Bonds. The Road Bonds maturing on or after September 15, 20___, are subject to optional redemption in whole or from time to time in part at any time on or after September 15, 20___, at a redemption price of 100% of the principal amount thereof plus accrued interest, if any, to, but not including, the redemption date.

Mandatory Sinking Fund Redemption.

Permanent Improvement Bonds. The Permanent Improvement Bonds maturing in the year 20___ (the "Permanent Improvement Term Bonds") are subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to 100% of their principal amount plus accrued interest to the date fixed for redemption, if any, and subject to the following conditions:

$___________ PERMANENT IMPROVEMENT TERM BONDS MATURING IN 20___

Mandatory Redemption Dates (September 15)	Principal Requirements
20__	$____________
20__	____________
20__ (Maturity)	____________

[The remainder of this page is intentionally left blank.]

Road Bonds. The Road Bonds maturing in the year 20___ (the "Road Term Bonds") are subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to 100% of their principal amount plus accrued interest to the date fixed for redemption, if any, and subject to the following conditions:

$___________ ROAD TERM BONDS MATURING IN 20___

Mandatory Redemption Dates (September 15)	Principal Requirements
20__	$____________
20__	____________
20__ (Maturity)	____________

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar will select by lot the specific term bonds (or with respect to term bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of term bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory redemption provisions shall be reduced, at the option of the County, by the principal amount of any term bonds having the same maturity which have been purchased or redeemed by the County as follows, at least 45 days prior to the mandatory redemption date (i) if the County directs the Paying Agent/Registrar to purchase term bonds with money in the Permanent Improvement Bonds Series 2023A Debt Service Fund or Road Bonds Series 2023A Debt Service Fund, as applicable (at a price not greater than par plus accrued interest to the date of purchase), then a credit of 100% of the principal amount of such term bonds purchased will be made against the next mandatory redemption installment due, or (ii) if the County purchases or redeems term bonds with other available moneys, then the principal amount of such term bonds will be credited against future mandatory redemption installments in any order, and in any annual amount, that the County may direct.

Selection of Bonds for Redemption

Bonds may be redeemed only in integral multiples of $5,000 of principal amount. If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. In selecting portions of Bonds for redemption, each Bond shall be treated as representing that number of Bonds of $5,000 denomination, which is obtained by dividing the principal amount of such Bond by $5,000. Upon presentation and surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provision of the Orders, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption

Notice of any redemption identifying the Bonds to be redeemed, in whole or in part, must be given by the Paying Agent/Registrar at least 30 days prior to the date fixed for redemption, by United States mail, first class postage prepaid, in the name of the County to each Owner of such Bond to be redeemed, in whole or in part, at the address shown on the registration books. Such notices must state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if fewer than all Bonds of a series outstanding are to be redeemed, the CUSIP numbers of the Bonds or portions thereof to be redeemed. Such notice may also state that such redemption is subject to a condition, including the deposit of the redemption funds with the Paying Agent/Registrar on the date fixed for redemption and shall be of no effect unless such funds are so deposited.

ANY NOTICE GIVEN AS DESCRIBED HEREIN WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE BY THE DATE FIXED FOR REDEMPTION, DUE PROVISION HAVING BEEN MADE WITH THE PAYING AGENT/REGISTRAR FOR PAYMENT OF THE REDEMPTION PRICE OF THE BONDS OR PORTIONS THEREOF TO BE REDEEMED, PLUS ACCRUED INTEREST TO THE DATE FIXED FOR REDEMPTION. WHEN BONDS HAVE BEEN CALLED FOR REDEMPTION IN WHOLE OR IN PART AND DUE PROVISION HAS BEEN MADE TO REDEEM SAME, THE BOND OR PORTIONS THEREOF SO REDEEMED WILL NO LONGER BE REGARDED AS OUTSTANDING EXCEPT FOR THE PURPOSE OF RECEIVING PAYMENT SOLELY FROM THE FUNDS SO PROVIDED FOR REDEMPTION, AND THE RIGHTS OF THE OWNERS TO COLLECT INTEREST WHICH WOULD OTHERWISE ACCRUE AFTER THE REDEMPTION DATE ON ANY BOND OR PORTION THEREOF CALLED FOR REDEMPTION WILL TERMINATE ON THE DATE FIXED FOR REDEMPTION.

Legal Holidays and Unclaimed Funds

In any case where the date interest accrues and becomes payable on the Bonds or principal of the Bonds matures or the date fixed for redemption of any Bond or a Record Date will be in the County a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal need not be made on such date, or the Record Date will not occur on such date, but payment may be made or the Record Date must occur on the next succeeding day which is not in the County a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close with the same force and effect as if (i) made on the date of maturity, redemption date, or interest payment date, as applicable, and no interest will accrue for the period from such date to the date of actual payment or (ii) the Record Date had occurred on the last business day of that calendar month.

Funds held by the Paying Agent/Registrar that represent principal of and interest on the Bonds remaining unclaimed by the registered owner thereof after the expiration of three years from the date such funds have become due and payable (a) will be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent such provisions are applicable to such funds, or (b) to the extent such provisions do not apply to the funds, will be paid by the Paying Agent/Registrar to the County, upon receipt by the Paying Agent/Registrar of a written request therefor from the County.

Ownership

The County, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Bond is overdue. Neither the County nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Bond in accordance with the Orders will be valid and effective and will discharge the liability of the County and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Perfection of Security

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the tax revenues thereto, and such pledge is therefore, valid, effective and perfected. See "THE BONDS – Source of Payment." If State law is amended at any time while the Bonds are outstanding and unpaid and the result of such amendment is that the pledge of tax revenues is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, then the County agrees to take such measures as it may determine are reasonable and necessary to enable a filing of a security interest in such pledge to occur.

Transfers and Exchanges

The following provisions for transfers and exchanges of the Bonds will apply in the event that the Bonds are no longer held in book-entry-only form. See "APPENDIX D – BOOK-ENTRY-ONLY SYSTEM."

The Paying Agent/Registrar is appointed as the registrar for the Bonds. So long as any Bond remains outstanding, the Paying Agent/Registrar must keep the registration books for such Bonds at the payment office of the Paying Agent/Registrar, presently located in Dallas, Texas, in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar must provide for the registration and transfer of the Bonds in accordance with the terms of the Orders.

Each Bond will be transferable only upon the presentation and surrender thereof at the payment office of the Paying Agent/Registrar or accompanied by an assignment duly executed by the registered owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bonds for transfer, the Paying Agent/Registrar must authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same series, maturity and aggregate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented and surrendered.

All Bonds will be exchangeable upon the presentation and surrender thereof at the payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered by the Paying Agent/Registrar will be entitled to the benefits and security of the Orders to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

All Bonds issued in transfer or exchange will be delivered to the registered owners thereof at the payment office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid.

The County, or the Paying Agent/Registrar may require the registered owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange will be paid by the County.

Defeasance

The County reserves the right to defease, refund or discharge the Bonds in any manner now or hereafter permitted by law. Any Bond will be deemed paid and will no longer be considered to be Outstanding within the meaning of the Orders when payment of the principal of and interest on such Bond to the stated maturity thereof will have been made or will have been provided for by any means then provided by law, including but not limited to, depositing with the Paying Agent/Registrar or with the Comptroller of Public Accounts of the State either (i) cash in an amount equal to the principal amount of and interest on such bond to the date of maturity or earlier redemption or (ii) pursuant to an escrow or trust agreement, cash and/or (A) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America or (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commissioners Court adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, which, in the case of (A) or (B), may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, will be sufficient to provide for the timely payment of the principal of and interest on such Bonds to the date of maturity or earlier redemption provided, however, that if any of the Bonds are to be redeemed prior to their dates of maturity, provision will have been made for giving notice of redemption as provided in the Orders. Upon such deposit such Bonds shall no longer be considered Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the County.

The officer's pricing certificate for each series of the Bonds executed in connection with pricing may place restrictions upon the eligible investments for defeasance escrow funds or otherwise restrict the County's ability to defease the Bonds. Any such restrictions will be detailed in the Final Official Statement for the Bonds.

Successor Paying Agent/Registrar

Provision is made in the Orders for replacing the Paying Agent/Registrar. The County reserves the right to change the Paying Agent/Registrar for the Bonds on not less than 60 days' written notice to the Paying Agent/Registrar, as long as such notice is effective not less than 60 days prior to the next succeeding principal or interest payment due on the Bonds. If the County replaces the Paying Agent/Registrar, the Paying Agent/Registrar must, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar must act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the County will be a commercial bank, trust company organized under the laws of the State, or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

TAX RATE LIMITATIONS

Article VIII, Section 9 of the Texas Constitution imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's general fund, permanent improvement fund, road and bridge fund and jury fund, including debt service on bonds or other debt issued against such funds (the "$0.80 Tax Limitation"). The County has consolidated all of these constitutional purposes into a general fund tax levy subject to the $0.80 Tax Limitation (the "General Fund Tax"). See "COUNTY-WIDE AD VALOREM TAXES – Table 1 – County-Wide Tax Rates." The Permanent Improvement Bonds are limited tax obligations payable from the County's $0.80 constitutionally limited tax rate. Administratively, the Attorney General of Texas will not approve limited tax obligations in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 Tax Limitation, as calculated at the time of issuance.

Article III, Section 52 of the Texas Constitution authorizes the County to levy a direct, continuing ad valorem tax on all taxable property within the County, without limit as to rate or amount, to pay the principal of and interest on the County's road bonds, including the Road Bonds, if approved by the voters in the County (the "Road Bond Tax"). The Road Bonds are unlimited tax bonds payable from the Road Bond Tax. The principal amount of unlimited tax road bonds issued by the County and outstanding at any point in time, aggregated with outstanding unlimited tax debt of certain road districts located within the County cannot exceed 25% of the assessed valuation of all real property located in the County and/or road districts, respectively.

The Commissioners Court is responsible for levying taxes on behalf of the County. See "AD VALOREM TAXES – Public Hearing and Maintenance and Operations Tax Rate Limitations" for information on additional statutory limitations related to increases in taxes levied for maintenance and operations purposes.

AD VALOREM TAXES

2023 Legislative Session

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

The Regular Session of 88th Texas Legislature convened on January 10, 2023 and concluded on May 29, 2023. Thereafter, the Governor called two special sessions of the 88th Legislature, primarily for the purpose of addressing property tax relief. During the Second Called Session, the Legislature passed, and the Governor signed into law, Senate Bill 2, to address property tax relief, which the County is in the process of analyzing the impact thereof. Senate Bill 2, most of which will not be effective unless House Joint Resolution 2 is approved by a majority of voters in the State at an election to be held on November 7, 2023, contains provisions that would change the governance of appraisal districts in populous counties, like the County, to increase the number of voting directors from six to nine, and to require the three additional voting directors to be elected by residents of the County, as well as provisions that would prohibit the County from reducing or eliminating its prior local option homestead exemption for residents through Tax Year 2027, and that would establish a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at or under $5,000,000 to the lesser of (a) the market value of the property and (b) the market value of all new improvements to the property, plus 120% of the appraised value of the property for the preceding tax year. The Governor may call one or more additional special sessions which may last no more than 30 days and for which the Governor sets the agenda. See "2023 LEGISLATIVE SESSION" for additional information regarding the regular and special sessions of the 88th Legislature.

Property Subject to Taxation

Except for certain exemptions provided by State law, all real and certain tangible personal property and certain intangible personal property with a tax situs in the County is subject to taxation by the County. The County's assessed value, including the assessed value of railroad rolling stock and intangible properties of railroads and certain common carriers, is the assessed value used by the Commissioners Court to determine the tax rate for the County's levy. Principal categories of exempt property include: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which ad valorem taxes have been abated for a specified period of time pursuant to tax abatement agreements; farm products owned by the producer; certain property owned by qualified charitable or religious organizations, veterans and their families, surviving spouses of members of the armed services killed in action or fatally injured in the line of duty, surviving spouses of first responders killed or fatally wounded in the line of duty, youth, fraternal, or educational organizations; property of a non-profit corporation that is used in scientific research and educational activities benefiting a college or university; designated historic sites; solar and wind powered energy devices; nonprofit cemeteries; and tangible personal property not held or used for production of income.

For a discussion of how the various exemptions described below are applied by the County, see "– County Application of the Property Tax Code."

<u>State Mandated Homestead Exemptions</u>. State law grants, with respect to the County, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action or fatally injured in the line of duty and surviving spouses of first responders killed or fatally wounded in the line of duty.

<u>Local Option Homestead Exemptions</u>. The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See "—2023 Legislative Session" herein for potential statutory changes resulting from the 88th Legislative Session restricting the County's ability to decrease the local option homestead exemption.

<u>Local Option Freeze for the Elderly and Disabled</u>. The Commissioners Court may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount

of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property. Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-in-Transit Exemptions. A taxpayer may receive only one of the freeport property or goods-in-transit exemptions for items of personal property.

The freeport goods exemption is authorized in the Texas Constitution, Article 8–Taxation and Revenue, Section 1-j and the Tax Code Section 11.251 – Tangible Personal Property Exempt. The freeport goods exemption was adopted by the Commissioners Court on November 23, 2004, and was effective on January 1, 2005, and under current statutes is a perpetual exemption that cannot be abolished. Such freeport goods exemption does not apply to the County but does apply to the Harris County Flood Control District (the "District" or "Flood Control District"), the Harris County Hospital District, doing business as Harris Health System (the "Hospital District" or "Harris Health") and the Port of Houston Authority of Harris County, Texas (the "Port of Houston"). Exempted freeport goods include items brought into the State and assembled, manufactured, repaired, maintained, processed or fabricated in the State or used by the person who acquired or imported the property and transported out of the State before the expiration of 175 days. The lost valuation attributable to the freeport goods exemption is anticipated to be a steadily increasing loss due to the economic growth of the region.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

Temporary Exemption for Qualified Property Damaged by a Disaster. The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

Valuation of Property for Taxation

The Property Tax Code generally requires all taxable property (except property utilized for a qualified "agricultural use" and timberland) to be appraised at 100% of market value as of January 1 of each year. Section 1, Article VIII, Texas Constitution provides that real property that is the residence homestead of the property owner will be taxed solely on the basis of its value as a residence homestead, regardless of whether residential use by the owner is considered to be the highest and best use of the property. Residential property that has never been occupied as a residence and is being held for sale is treated as inventory for property tax purposes. State law further limits the appraised value of a homestead to the lesser of (i) the market value of the property or (ii) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

Eligible owners of both agricultural and open-space land, including open-space land used for farm or ranch purposes or timber production, may elect to have such property appraised on the basis of productive capacity. The same land may not be treated as both agricultural and open-space land.

The appraisal of taxable property for the County (except certain railroad rolling stock and certain intangible property of railroads and certain common carriers, the taxable value of which is recommended by the State tax board and accepted or modified by the County) and all other taxing entities in the County is the responsibility of the Harris Central Appraisal District (the "Appraisal District"). The Appraisal District is governed by a six-member board whose members are appointed by vote of the Commissioners Court and the governing bodies of the cities, towns, school districts and conservation and reclamation districts in the County under a voting system weighted in direct proportion to the amount of taxes imposed by the voting entities. Cumulative voting for Appraisal District board members is permitted and, through the exercise of that right, the Commissioners Court, the Houston City Council and the Houston Independent School District Board of Education each selects one member. The cities other than the City of Houston, the junior college districts together with the school districts other than Houston Independent School District and the conservation and reclamation districts each choose one member. Currently, the Harris County Tax Assessor-Collector serves as the County's appointed representative. If Commissioners Court should choose to appoint someone other than the Tax Assessor-Collector to the board, the Tax Assessor-Collector would serve as a seventh non-voting board member. See "—2023 Legislative Session" herein for potential statutory changes resulting from the 88th Legislative Session related to the composition and selection of board members of the Appraisal District.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of all taxable property in the County, and reappraisal must be conducted at least once every three years. The Appraisal District has established a schedule of reappraisal for different classifications of property to comply with such requirements.

The Texas Constitution authorizes the Texas Legislature to (1) authorize a single board of equalization for two or more adjoining appraisal entities that elect to provide for consolidated equalizations and (2) provide for the administration and enforcement of uniform standards and procedures for appraisal of property for ad valorem tax purposes.

Taxable values determined by the chief appraiser of the Appraisal District are submitted for review and equalization to an Appraisal Review Board (the "Appraisal Review Board") appointed by the local administrative district judge. Appraisals may be contested before the Appraisal Review Board by taxpayers or, under limited circumstances, the County, and the Appraisal Review Board's orders are appealable to a State district court. Additionally, taxing units such as the County may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $57,216,456 for the 2023 Tax Year and is adjusted annually by the State Comptroller to reflect the inflation rate.

Tax Abatement Agreements

The County and certain taxing entities located within the County may enter into tax abatement agreements with property owners to encourage economic development. Prior to entering into a tax abatement agreement, a taxing entity must adopt guidelines and criteria for establishing tax abatements that such entity will follow in granting tax abatements to property owners. Tax abatement agreements may exempt from ad valorem taxation by a taxing entity, for a period of up to 10 years, all or any part of the assessed valuation of property covered by the agreement in excess of its assessed valuation in the year in which the agreement is executed, on the condition that the property owner makes specified improvements or expansion or modernization to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements of a taxing entity must be substantially the same. See "—County Application of Property Tax Code" for more information, including the estimated value of property in the County that was subject to tax abatement as of May 5, 2023.

Tax Increment Reinvestment Zones

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

The participating taxing units in a TIRZ contribute some or all of the tax revenues generated by the incremental growth in taxable value of real property in the TIRZ to pay costs of public infrastructure or other public improvements in the TIRZ and to supplement or act as a catalyst for private development in the TIRZ. Taxes levied against the incremental increase in assessed value in the TIRZ may be used only to pay project and financing costs within or benefitting the TIRZ and are not available for the payment of other obligations of the participating taxing units. In a TIRZ created by a municipality, the TIRZ, or a non-profit local government corporation authorized by a municipality to administer the TIRZ, may pledge incremental tax revenue to support bonds or other obligations of the TIRZ. In a TIRZ created by a county, state constitutional limitations restrict a county from directly issuing bonds or other obligations. However, a conduit issuer such as a local government corporation, created under the Texas Transportation Code, Subchapter D and acting on its behalf, or another special district acting on its behalf, may use the pledged incremental tax revenue to support bonds or other obligations of the TIRZ. TIRZs generally are created for a period of up to 30 years.

On December 13, 2022, Commissioners Court voted to approve the creation of the Aldine TIRZ No. 1, with a project and financing plan expected to be approved in 2023. The County currently participates in five TIRZs created by municipalities within the County:

City of Houston (Market Square TIRZ #3, East Downtown TIRZ #15, Greater Houston TIRZ #24), City of Baytown (Baytown TIRZ #1), and City of LaPorte (LaPorte TIRZ #1). The total amount of the County's contribution in such TIRZs for Tax Year 2022 was $9,423,889.

Chapter 381 Economic Development Programs

The County is authorized, pursuant to Chapter 381, Texas Local Government Code, as amended ("Chapter 381"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the County. In accordance with a program established pursuant to Chapter 381, the County may make loans or grants of public funds for economic development purposes; however, the County may not secure its obligations by committing to levy taxes for such purposes unless approved by the voters of the County.

The current practice of the County with respect to Chapter 381 programs functions similarly to a TIRZ. The County agrees to make a grant or loan to a developer to fund the construction of certain public improvements. The amount of the grant or loan is based upon a percentage of the tax increment of the captured appraised value of the designated property resulting from the development activities and is subject to a negotiated maximum amount. The program is for reimbursement for infrastructure projects only, with all reimbursed funds derived from the ad valorem tax payments received on the tax increment within the designated property.

In October 2012, the County entered into an economic development agreement with Harris County Improvement District No. 18 ("HCID #18") involving a 1,900-acre development of CDC Houston, Inc., a subsidiary of Coventry Development Corporation. The development, known as Springwoods Village, includes Exxon's North American headquarters campus. Pursuant to such agreement, the County pays HCID #18 on an annual basis sixty-five percent (65%) of the tax revenue generated from the development's tax payment receipts that are derived from the increase in taxable value on the site. HCID #18 then reimburses the developer from such amounts over time for the completed construction of public improvements. These payments have been used to pay debt service for the bonds issued for the project. Payments to HCID #18 pursuant to the agreement are limited to the lesser of (i) the actual costs of the public improvements, up to $82 million, plus interest accrued under the agreement, and (ii) the amount of revenue generated from the increase in taxable value over the 30-year term.

Public Hearing and Maintenance and Operations Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the no-new-revenue maintenance and operations rate, plus the rate that produces a $500,000 increase in tax revenue when applied to the current year's total taxable value, plus the current debt service tax rate.
>
> "no-new-revenue maintenance and operations rate" means the tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted). Certain counties for which certain expenditures for the state criminal justice mandate, indigent health care, pollution control requirements, indigent legal defense or certain hospital expenditures exceed the amount for such expenditures for the preceding tax year, may increase their no-new-revenue maintenance and operations rate proportionately with such expenditures in the manner provided by the Property Tax Code.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a county for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> For Tax Year 2023, the "unused increment rate" means the cumulative difference between the voter-approval tax rate and its actual tax rate for each of the three tax years prior to the current tax year and this cumulative difference may be applied to a county's tax rate the current tax year to increase the current year's voter-approval tax rate.
>
> For Tax Year 2024 and thereafter, the "unused increment rate" means the cumulative foregone revenue amount for the three tax years prior to the current tax year divided by the total taxable value of property for the current year, less exemptions.

For Tax Year 2024 and thereafter, “foregone revenue amount” means the greater of (i) zero, or (ii) the amount expressed in dollars of the difference between the voter-approval tax rate and the adopted tax rate, multiplied by the taxing unit’s current total taxable value in the applicable preceding tax year.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the current debt service tax rate, plus the unused increment rate.

The County’s General Fund tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the County Tax Assessor-Collector must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the County to the Commissioners Court by August 1 or as soon as practicable thereafter.

The County must annually calculate and prominently post on its internet website, and submit to the County Tax Assessor-Collector its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller. The Commissioners Court must adopt a tax rate before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the County, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If the County fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the County for the preceding tax year. Texas State law requires a quorum of four (4) members of the Commissioners Court to set its annual tax rate, rather than the standard three (3) members which would constitute a quorum for other business. For Tax Year 2022, the Commissioners Court did not pass a tax rate as of the October 28, 2022 deadline due to an inability to meet such quorum requirement. Consequently, the County's property tax rate was statutorily set as the no-new-revenue tax rate at $0.53058 per $100 of assessed value for Tax Year 2022.

As described below, the Property Tax Code provides that if the County adopts a tax rate that exceeds the voter-approval tax rate or, in certain cases, the de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

The County may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until (i) the Appraisal District has delivered notice to each taxpayer that the estimated total amount of property taxes to be imposed on the property may be found in the property tax database maintained by the Appraisal District and (ii) the County has held a public hearing on the proposed tax rate increase.

If the County’s adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the County must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which the County qualifies as a special taxing unit, if the County’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue maintenance and operations rate, multiplied by 1.08, plus the debt service tax rate and (b) the County’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the County is submitted to the Commissioners Court within 90 days after adoption of the tax rate, the County would be required to hold an election to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any county located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such county’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides counties with the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The County has not held such an election.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the County’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the County’s tax-supported debt obligations, including the Bonds. See “TAX RATE LIMITATIONS.”

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates. Also, see “COUNTY-WIDE AD VALOREM TAXES – Table 1 – County-Wide Tax Rates.”

Taxpayer Remedies

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the County and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "– Public Hearing and Maintenance and Operations Tax Rate Limitations." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Collections, Penalties and Interest

The County Tax Assessor-Collector is responsible for collection of taxes. The Property Tax Code contains provisions that allow the assessment and collection of County taxes by the Appraisal District or another taxing unit if the Commissioners Court elects to enter into a contract for that purpose and the County Tax Assessor-Collector approves such contract. The Property Tax Code also provides for assessment and collection of County taxes by the Appraisal District or another taxing unit if that procedure is approved at an election which may be initiated by petition of 10,000 qualified voters of the County.

Tax statements must be mailed by October 1, or as soon thereafter as practicable, and taxes become delinquent on February 1 of the following year. If tax statements are mailed after January 10, the delinquency date is postponed to the first day of the next month that will provide a period of at least 21 days between the date the statement is mailed and the date taxes become delinquent. So long as the Commissioners Court or voters have not transferred responsibility for collection of the taxes to another taxing unit or the Appraisal District, the Commissioners Court may permit payment without penalty or interest of one-half of the taxes due from each taxpayer by July 1 if one-half of the taxes due for the current year from such taxpayers are paid prior to December 1. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1, and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. If the delinquency date is postponed, then the postponed date is the date from which penalty and interest accrues on the delinquent taxes. The County may impose an additional penalty for collection costs for certain delinquent taxes if the Appraisal District has contracted with a collection attorney. The County may waive penalties and interest on delinquent taxes if the error or omission of a representative of the County or of the Appraisal District, as applicable, caused the failure to pay the tax before delinquency and if the tax is paid within 21 days after the taxpayer knows or should know of the delinquency. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the County may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Tax Liens

The Property Tax Code provides that taxes levied by the County are a personal obligation of the property owner as of January 1 of the year for which the tax is imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the County, having power to tax the property. The tax lien on real property has priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the other debt or lien existed before the attachment of the tax lien. Under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalties and interest thereon. Except with respect to taxpayers 65 years of age and older (who State law permits to defer ad valorem taxes), any time after taxes on property become delinquent, the County may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax or both. In filing a suit to foreclose a tax lien on real property, the County must join other taxing units that have claims for delinquent taxes against all or part of the same property.

The ability of the County to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, certain affirmative defenses, adverse market conditions affecting the liquidation of such property or the sales price, taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed is filed in the County records), general principles of equity, or bankruptcy proceedings that restrain the collection of a taxpayer's debt. Federal bankruptcy laws provide that any automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of a bankruptcy petition. The automatic stay prevents governmental units from foreclosing on property and obtaining secured credit status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the bankruptcy estate or by order of the bankruptcy court.

County Application of Property Tax Code

The County currently grants a general homestead exemption equal to 20% of the value of residential homesteads from ad valorem taxation (but not less than $5,000).

For Tax Year 2023, the County will grant an exemption of $275,000 for persons 65 years of age or older and for disabled persons in addition to the optional 20% general residential homestead exemption.

The County does not grant, nor has the County received a petition requesting, a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The freeport goods exemption does not apply to the County, and the County has not adopted a Goods-in-Transit exemption.

The County does not tax nonbusiness personal property.

The County does participate in TIRZs. See "– Tax Increment Reinvestment Zones."

The estimated value of property in the County that was subject to tax abatement for Tax Year 2022 as of May 5, 2023, is approximately $103 million and such value at the end of the abatement period is currently estimated to be approximately $324 million. Assessed taxable value figures herein are net of abatements.

The County does not permit split payments of taxes, and discounts are not allowed.

For additional information regarding County assessed values and tax rates, see "COUNTY-WIDE AD VALOREM TAXES – Table 2 – County Assessed Values and Tax Rates."

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COUNTY-WIDE AD VALOREM TAXES

Table 1 – County-Wide Tax Rates

The following table shows the ad valorem tax rates per $100 of assessed value levied by the County on taxable property in the County for each of the tax years 2018 through 2022. The tax rates are based on assessment of taxable property at 100% of appraised value. (The tax year of the County is the calendar year, but its Fiscal Year currently begins October 1 and ends on September 30 of the next year.) See "BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Change in the County's Fiscal Year" for a discussion of the recent change in the fiscal year of the County. In addition to the County's ad valorem taxes, the Commissioners Court levies taxes on property in the County on behalf of the Flood Control District (the "District" or "Flood Control District"), the Port of Houston and the Hospital District. The County Tax Assessor-Collector collects ad valorem taxes for each of such entities using the same taxable property values as the County, except that certain freeport goods, rolling stock of railroads and intangible properties of railroads and certain common carriers are taxable only by the County. See "AD VALOREM TAXES – Property Subject to Taxation."

	Tax Year				
Purpose	2018	2019	2020	2021	2022
County:					
Operating Fund	$0.34000	$0.34000	$0.33028	$0.33500	$0.30105
Public Improvement Contingency Fund	0.01000	0.00174	0.01000	0.00000[a]	0.00000[a]
Debt Service	0.05084	0.04711	0.05088	0.04193	0.03084
Total ($0.80 Limited Tax Rate)	$0.40084	$0.38885	$0.39116	$0.37693	$0.33189
Road Bond Debt Service:					
(Unlimited Tax Rate)	$0.01774	$0.01828	$0.00000[b]	$0.00000[b]	$0.01184
Toll Road Authority Tax Bond:					
Debt Service (Unlimited Tax Rate)[c]	--	--	--	--	--
Total County Tax Rate	$0.41858	$0.40713	$0.39116	$0.37693	$0.34373
The District[d]					
Operating Fund	0.02738	0.02670	0.02649	$0.02599	$0.02043
Debt Service	0.00139	0.00122	0.00493	0.00750	0.01012
Total	$0.02877	$0.02792	$0.03142	$0.00872	$0.03055
Port of Houston Authority Debt Service[e]	0.01155	0.01074	0.00991	$0.00872	$0.00799
Hospital District dba Harris Health[f]					
Operating Fund	0.17000	0.16491	0.16491	$0.16047	$0.14678
Debt Service	0.00108	0.00100	0.00180	0.00174	0.00153
Total	$0.17108	$0.16591	$0.16671	$0.16221	$0.14831
Total County-Wide Ad Valorem Tax Rate	$0.62998	$0.61170	$0.59920	$0.58135	$0.53058

(a) In Tax Years 2021 and 2022, the County chose to fund the Public Improvement Contingency Fund with available revenues generated from the Operating Fund tax rate, rather than from a tax rate dedicated to funding the Public Improvement Contingency Fund.

(b) In Tax Years 2020 and 2021, the County chose to pay debt service on the unlimited tax road bonds from other lawfully available revenues.

(c) The County's policy and practice has been to provide for payment of debt service on the Toll Road Authority Tax Bond debt from toll revenues and certain other funds and, historically, no ad valorem tax revenue has been required to pay debt service on such bonds. See "COUNTY AD VALOREM TAX DEBT – Table 5 – Tax Debt Outstanding."

(d) The ad valorem tax rate that the Commissioners Court may levy on behalf of the District is limited by law to a maximum of $0.30 per $100 of assessed value. See "TAX RATE LIMITATIONS."

(e) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Port of Houston to pay its tax bonds is by law unlimited.

(f) The Hospital District issued bonds payable from ad valorem taxes for the first time in Tax Year 2016. The ad valorem tax rate that the Commissioners Court may levy on behalf of the Hospital District for all purposes including debt service is limited by law to a maximum of $0.75 per $100 assessed value.

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

Table 2 – County Assessed Values and Tax Rates

The following table shows the County's assessed values for each Tax Year, as presented in the County's audited financial statements for the Fiscal Year end or Fiscal Period end for each year shown for Tax Years 2018 through 2021, and as of the most recently available certified data from the Appraisal District for Tax Year 2022. Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

(Dollars in Thousands)

Tax Year	Fiscal Year/Period* Ended	Real Property[(a)]	Personal Property[(a)]	Less Exemptions & Abatements[(b)]	Total Taxable Value	Tax Rate
2018	2019	$506,160,004	$69,574,097	$127,319,737	$448,414,364	$0.41858
2019	2020	545,499,934	72,456,577	135,755,513	482,200,998	0.40713
2020	2021	580,139,657	72,974,712	148,263,829	504,850,540	0.39116
2021	2022	606,314,651	67,781,102	156,340,901	517,765,852	0.37693
2021	09/30/2022*[(c)]	600,642,473[(c)]	68,343,557[(c)]	157,799,669[(c)]	511,186,361[(c)]	0.37693
2022	2023[(d)]	676,426,993[(d)]	79,785,649[(d)]	176,694,683[(d)]	579,227,959[(d)]	0.34373

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

(b) See "AD VALOREM TAXES – County Application of Tax Code" for additional information on the exemptions and abatements.

(c) Due to the change in the County's fiscal year, values and information presented in this Table 2 for Tax Year 2021 correspond to both the Fiscal Year ended February 28, 2022, and the seven-month fiscal period ended September 30, 2022. See "BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Change in County Fiscal Year." Certified appraised values are established annually for the current year, but are subject to adjustment for a number of years thereafter. The difference in the values for Tax Year 2021 reflect such adjustments made by the Appraisal District between the end of Fiscal Year ended February 28, 2022, and the seven-month fiscal period ended September 30, 2022. See "AD VALOREM TAXES – Valuation of Property for Taxation."

(d) Fiscal Year 2023 will end on September 30, 2023; therefore, the values shown may differ from the values to be presented in the audited financial statements for Fiscal Year 2023. The values presented have been provided by the Appraisal District and are as of May 5, 2023.

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

The preliminary total taxable value for Tax Year 2023 is $639,406,597,249. The preliminary taxable value presented for Tax Year 2023 is as of April 28, 2023, and was prepared by the Appraisal District and provided to the County for informational purposes only. Such amount is subject to change pending the receipt of a certified appraisal roll, which is typically received in the third quarter of the calendar year. Changes between the preliminary total taxable value and final certified total taxable values may be material. State law requires the County to adopt its final tax rates by September 30 of each year or the 60th day after the date the certified appraisal roll is received by the County. See "AD VALOREM TAXES – Public Hearing and Maintenance and Operations Tax Rate Limitations" for further information on setting tax rates for the 2023 Tax Year.

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Table 3 – County Tax Levies, Collections and Delinquencies

The table below sets forth a comparison of the aggregate ad valorem taxes levied and collected by the County (excluding the Flood Control District, the Port of Houston and the Hospital District) for the Tax Years 2018 through 2022. See "TAX RATE LIMITATION."

(Dollars in Thousands)

				Collected within the Fiscal Year of the Levy[(a)]			Total Collections to June 26, 2023	
Tax Year	Fiscal Year/Period[*] Ended	Taxes Levied for the Fiscal Year	Adjusted Levy as of the End of Current Fiscal Year	Amount	Percentage of the Levy	Collections in Subsequent Years[(b)]	Amount	Percentage of Levy
2018	2019	$1,876,068	$1,841,804	$1,787,008	95.3%	$50,431	$1,837,439	99.8%
2019	2020	1,961,756	1,917,644	1,867,058	95.2	44,405	1,911,463	99.7
2020	2021	1,972,700	1,912,830	1,838,347	93.2	65,647	1,903,994	99.5
2021	2022	1,951,928	1,951,928	1,853,156	94.9	----	1,853,156	94.9
2021	9/30/2022[*(c)]	1,940,734	1,907,727	1,901,735	98.0	(6,628)	1,895,107	99.3
2022	2023[(d)]	1,990,890[(d)]	----[(e)]	1,942,492[(d)]	97.6 [(d)]	----	1,942,492[(d)]	97.6[(d)]

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

(b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable. For reporting purposes, refunds associated with a prior year are netted against the prior year's collections.

(c) Due to the change in the County's fiscal year, values and information presented for Tax Year 2021 correspond to both the Fiscal Year ended February 28, 2022, and the seven-month fiscal period ended September 30, 2022. See "BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Change in County Fiscal Year."

(d) Fiscal Year 2023 will end on September 30, 2023; therefore, the values shown here may differ from the values to be presented in the audited financial statements for Fiscal Year 2023. The values presented are as of June 26, 2023.

(e) This value will not be available until the end of the current Fiscal Year ending September 30, 2023.

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

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Table 4 – Principal Taxpayers

The following table lists the 15 taxpayers with the largest taxable values in the County as of September 30, 2022 for Tax Year 2021.

(Dollars in Thousands)

Taxpayers		Type of Business	2021 Taxable Valuations[(a)]	Percentage of Total 2021 Taxable Valuation[(b)]
1.	Centerpoint Energy	Electric Utility	$4,699,899	0.92%
2.	Exxon Mobil Corp	Oil, Chemical Plant	4,275,297	0.84
3.	Chevron Chemical Company	Oil, Gas	3,381,826	0.66
4.	Lyondell Chemical	Chemical Plant	2,218,475	0.43
5.	Equistar Chemicals LP	Chemical Plant	2,077,443	0.41
6.	Shell Oil Co	Oil Refinery	1,308,087	0.26
7.	Enterprise	Pipeline	1,244,697	0.24
8.	Palmetto TransOceanic LLC	Real Estate, Energy	1,112,329	0.22
9.	Walmart	Retail	996,726	0.19
10.	Phillips 66 Company	Oil, Gas	983,405	0.19
11.	HEB Grocery Co LP	Retail	930,045	0.18
12.	Liberty Property	Real Estate	897,009	0.18
13.	OilTanking Houston	Oil, Gas	823,950	0.16
14.	Kinder Morgan	Pipeline	744,904	0.15
15.	Valero Energy Corporation	Oil Refinery	728,057	0.14
Total			$26,422,149	5.17%

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

(b) The County's total taxable value is based on Appraisal District supplemental reports dated as of September 30, 2022.

Source: Harris County Appraisal District

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COUNTY AD VALOREM TAX DEBT

Payment Record

The County has never defaulted in the payment of the principal of or the interest on any of its debt.

Table 5 – Tax Debt Outstanding

The following table shows the total principal amount of the County's debt outstanding payable from ad valorem taxes as of June 30, 2023. See "COUNTY-WIDE AD VALOREM TAXES – Table 1 – County-Wide Tax Rates." The table has not been adjusted to include the impact from the issuance of the Bonds. See "TAX RATE LIMITATION:"

	County's Total Outstanding Long-Term Tax Debt
Limited Tax Debt[(a)]	$ 780,477,125
Unlimited Tax Bonds[(b)]	672,645,000
District Flood Contract Tax Bonds[(c)]	317,320,000
Toll Road Unlimited Tax Bonds[(d)]	151,335,000
Total	$1,921,777,125
Less: Toll Road Unlimited Tax Bonds	(151,335,000)
Total (approximately .31% of 2022 Taxable Assessed Value)	$1,770,442,125

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(a) Payable from the County's General Fund Tax levied for debt service.

(b) The County's Unlimited Tax Bonds consist of the outstanding obligations payable from the Road Bond Tax. For Tax Years 2020 and 2021, the County did not levy a Road Bond Tax and paid debt service on the Unlimited Tax Bonds from other lawfully available funds.

(c) The District's Flood Contract Tax Bonds are payable from contractual payments made by the County to the District secured by the County's limited tax pursuant to a contract between the County and the District (the "Flood Control Projects Contract"). Excludes the District's Limited Tax Bonds payable from the District's ad valorem tax revenues.

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

Source: Harris County Financial Management.

In addition to the outstanding long-term debt shown and discussed above, the Commissioners Court has established general obligation commercial paper programs payable from ad valorem taxes for the purposes of financing various short-term assets and temporary construction financing for certain long-term fixed assets. The commercial paper notes issued under these programs are typically refinanced to long-term fixed rate debt. See "– Commercial Paper."

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Table 6 – Estimated County-Wide and Overlapping Ad Valorem Tax Debt

The following summary of estimated outstanding ad valorem tax debt of taxing entities within the County was compiled by the County's Co-Financial Advisors (see "CO-FINANCIAL ADVISORS") from a variety of sources, including Texas Municipal Reports as compiled and published by the Municipal Advisory Council of Texas. The numbers in the table may not tie due to rounding. In addition to the taxing entities mentioned above, approximately 31 cities, towns, and villages; 26 school districts; four college districts; and approximately 386 utility districts are reported by the Municipal Advisory Council of Texas as having debt outstanding that is secured by the levy of taxes on property within the County. The County believes such sources to be reliable, but the County does not take any responsibility for the accuracy or completeness thereof.

The table reflects debt outstanding as of various dates. Certain entities listed below may have issued substantial amounts of debt since the latest available data and may have capital improvement programs requiring the issuance of a substantial amount of additional debt which the County cannot control. Moreover, there may be additional taxing entities that are empowered to levy taxes on property within the County that currently do not have debt outstanding.

	Long-Term Debt Outstanding (Dollars in Thousands)	
County-Wide Taxing Entities[a]:		
Harris County Flood Control District[b]	$ 1,009,015	
Harris County[c]	1,770,442	
Hospital District	70,970	
Port of Houston Authority	445,749	$ 3,296,176
Cities:		
Houston[d]	$ 2,930,515	
Other cities	959,166	1,971,349
School Districts, College Districts and the Harris County Department of Education: [e] [f]		18,800,390
Utility Districts[f]:		7,730,489
Total		$ 31,798,404*

*The numbers in the table may not tie due to rounding.

(a) As of June 30, 2023. Excludes commercial paper obligations.

(b) Includes debt secured by the Flood Control District's limited ad valorem tax. Adjusted to include the issuance of Flood Control District Improvement Refunding Bonds, Series 2023A, issued on July 12, 2023. Flood Contract Tax Bonds are reflected in the County's debt. See footnote (c) below.

(c) Does not include the expected issuance of the Bonds. Includes District Flood Contract Tax Bonds secured by County payments pursuant to the Flood Control Projects Contract. Excludes all outstanding Toll Road Unlimited Tax Bonds, which are additionally secured by a subordinate lien on toll road net revenues; historically, no ad valorem tax revenue has been required to pay such bonds. See "TABLE 7 – County-Wide Ad Valorem Tax Debt Service Requirements" and footnote (b) thereto.

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

(e) Includes certain contract tax bonds substantially equivalent to ad valorem tax bonds. "College Districts" include "junior college districts" and "community college districts" operating pursuant to Chapter 130 of the Texas Education Code.

(f) Excludes commercial paper obligations.

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

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Table 7 – County-Wide Ad Valorem Tax Debt Service Requirements

The following table sets forth the debt service requirements on the County-wide combined annual debt service requirements on County-wide outstanding ad valorem tax debt and Toll Road Unlimited Tax Bonds, as of June 30, 2023. The table has not been adjusted to include the impact of the expected issuance of the Bonds. The following table does not include commercial paper. See "– Commercial Paper" and "BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Tax Anticipation Borrowing."

12 Months Ending 9/30[(a)]	County Limited Tax Bonds[(b)]	County Unlimited Tax Bonds[(c)]	Toll Road Unlimited Tax Bonds	District Limited Tax Bonds[(d)]	District Flood Contract Tax Bonds[(e)]	Port of Houston Unlimited Tax Bonds	Hospital District Tax Bonds	Grand Total[(f)]
2023	$ 107,362,324	$ 71,203,473	$ 28,622,863	$ 40,236,130	$ 45,877,114	$ 44,529,498	$ 8,628,125	$ 346,459,527
2024	100,609,887	65,925,620	28,011,944	66,796,156	45,837,364	39,508,661	8,620,625	355,310,257
2025	123,684,900	76,425,420	17,817,175	67,385,038	45,588,470	38,699,351	8,628,900	378,229,254
2026	89,879,400	79,280,545	17,203,500	63,235,088	43,164,825	38,668,595	8,623,550	340,055,502
2027	111,460,275	79,704,670	16,593,775	90,604,213	17,557,950	38,635,267	8,599,800	363,155,950
2028	85,888,775	77,548,670	15,977,738	71,885,838	36,925,200	39,347,281	8,590,675	336,164,176
2029	79,314,900	75,501,045	15,365,650	71,845,838	36,530,700	39,435,266	8,584,800	326,578,198
2030	58,078,775	63,292,670	14,752,250	71,809,463	34,159,575	39,446,669	8,576,300	290,115,701
2031	57,927,625	59,129,045	14,137,538	71,884,188	20,427,625	39,129,491	4,634,725	267,270,236
2032	57,740,681	57,762,645	13,526,513	63,368,913	15,077,550	39,087,209	4,632,350	251,195,861
2033	30,694,988	32,295,570	12,908,913	63,384,688	15,066,050	39,273,025	4,631,450	198,254,683
2034	26,843,788	32,282,345		63,408,238	15,052,925	38,946,275	4,626,950	181,160,520
2035	26,824,538	32,260,595		63,382,713	15,036,925	39,037,150	4,602,100	181,144,020
2036	26,803,013	15,272,995		63,359,713	15,084,700	39,086,025	4,600,200	164,206,645
2037	24,989,338	15,269,620		63,318,488	15,080,300	38,807,950		157,465,695
2038	24,977,363	15,269,620		63,279,700	15,070,200	38,771,125		157,368,008
2039	24,972,588	15,265,820		63,310,975	15,058,700	38,738,750		157,346,833
2040	24,959,588	15,262,720		63,277,288	15,045,000	25,781,000		144,325,595
2041	24,938,388	15,263,573		63,307,644				103,509,604
2042	15,113,488	15,262,425		63,296,475				93,672,388
2043	15,119,631	15,263,263		63,191,100				93,573,994
2044	15,086,756	15,261,250		63,140,656				93,488,663
2045	10,959,981	15,264,356		63,105,319				89,329,656
2046	10,956,925	15,258,481		63,072,225				89,287,631
2047	7,927,413	15,257,550		47,293,569				70,478,531
2048	6,375,000	12,729,075		30,986,431				50,090,506
	$ 1,189,490,328	$ 998,513,061	$ 194,917,859	$ 1,643,166,087	$ 461,641,173	$ 694,928,588	$ 96,580,550	$ 5,279,237,634

(a) The County's current Fiscal Years begin on October 1 and end on September 30. See "BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Change in County Fiscal Year" for a discussion of the change in the County's fiscal year.
(b) Includes debt supported by both the County's limited General Fund Tax and its Hotel Occupancy Tax. Does not include the expected issuance of the Permanent Improvement Bonds.
(c) Excludes the Toll Road Unlimited Tax Bonds, which the County's policy and practice has been to provide for payment of such debt service from toll road revenues and certain other funds and, historically, no ad valorem tax revenue has been required to pay debt service on such bonds. Does not include the expected issuance of the Road Bonds.
(d) Flood Control District Limited Tax Bonds are secured by a pledge of a limited tax levied by the Commissioners Court on behalf of the District. Adjusted to include the issuance of Flood Control District Improvement Refunding Bonds, Series 2023A on July 12, 2023.
(e) Flood Control District Flood Contract Tax Bonds are payable from contractual payments made by the County to the District secured by the County's limited General Fund Tax pursuant to the Flood Control Projects Contract.
(f) Discrepancies in totals due to rounding.

Table 8 – Debt Service Requirements for the County's Limited Tax Bonds

The following table sets forth the debt service on the County's limited tax bonds. The table does not include the impact of the expected issuance of the Permanent Improvement Bonds on the County's limited tax debt service requirements and does not include any commercial paper or the County's payments pursuant to the Flood Control Projects Contract. See "– Commercial Paper," "Table 7 – County-Wide Ad Valorem Tax Debt Service Requirements" and "TAX RATE LIMITATIONS."

		The Permanent Improvement Bonds			
12 Months Ending 9/30	Aggregate Limited Tax Debt Service[(a)]	Principal	Interest	Total[(b)]	Adjusted County Limited Tax Debt Service
2023	$107,362,324	$	$	$	$107,362,324
2024	100,609,887				100,609,887
2025	123,684,900				123,684,900
2026	89,879,400				89,879,400
2027	111,460,275				111,460,275
2028	85,888,775				85,888,775
2029	79,314,900				79,314,900
2030	58,078,775				58,078,775
2031	57,927,625				57,927,625
2032	57,740,681				57,740,681
2033	30,694,988				30,694,988
2034	26,843,788				26,843,788
2035	26,824,538				26,824,538
2036	26,803,013				26,803,013
2037	24,989,338				24,989,338
2038	24,977,363				24,977,363
2039	24,972,588				24,972,588
2040	24,959,588				24,959,588
2041	24,938,388				24,938,388
2042	15,113,488				15,113,488
2043	15,119,631				15,119,631
2044	15,086,756				15,086,756
2045	10,959,981				10,959,981
2046	10,956,925				10,956,925
2047	7,927,413				7,927,413
2048	6,375,000				6,375,000
	$ 1,189,490,328	$	$	$	$ 1,189,490,328

(a) Includes debt supported by both the County's limited General Fund Tax and its Hotel Occupancy Tax.
(b) Discrepancies in totals due to rounding.

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Table 9 – Debt Service Requirements for the County's Unlimited Tax Bonds

The following table sets forth the debt service on the County's unlimited tax bonds and does not include the impact of the expected issuance of the Road Bonds on the County's unlimited tax debt service requirements and does not include any commercial paper. See "– Commercial Paper," "Table 7 – County-Wide Ad Valorem Tax Debt Service Requirements" and "TAX RATE LIMITATIONS."

		The Road Bonds			
12 Months Ending 9/30	Aggregate Unlimited Tax Debt Service[(a)]	Principal	Interest	Total[(a)]	Adjusted County Unlimited Tax Debt Service
2023	$71,203,473	$	$	$	$71,203,473
2024	65,925,620				65,925,620
2025	76,425,420				76,425,420
2026	79,280,545				79,280,545
2027	79,704,670				79,704,670
2028	77,548,670				77,548,670
2029	75,501,045				75,501,045
2030	63,292,670				63,292,670
2031	59,129,045				59,129,045
2032	57,762,645				57,762,645
2033	32,295,570				32,295,570
2034	32,282,345				32,282,345
2035	32,260,595				32,260,595
2036	15,272,995				15,272,995
2037	15,269,620				15,269,620
2038	15,269,620				15,269,620
2039	15,265,820				15,265,820
2040	15,262,720				15,262,720
2041	15,263,573				15,263,573
2042	15,262,425				15,262,425
2043	15,263,263				15,263,263
2044	15,261,250				15,261,250
2045	15,264,356				15,264,356
2046	15,258,481				15,258,481
2047	15,257,550				15,257,550
2048	12,729,075				12,729,075
	$998,513,061	$	$	$	$998,513,061

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(a) Discrepancies in totals due to rounding.

Table 10 – County-Wide Authorized but Unissued Bonds

The following table shows County-wide ad valorem tax bonds that have been authorized by the voters but remain unissued. The table reflects the County's use of voted authority when it issues certain general obligation commercial paper notes, including the notes being refunded by the Road Bonds and the Permanent Improvement Bonds.

	(Amounts in Thousands)			
Type and Purpose	**Year of Voter Authorization**	**Amount Authorized**	**Issued[(a)]**	**Unissued Authorization[(a)]**
Limited Tax:				
Civil Justice Center	1999	$ 119,000	$ 86,000	$ 33,000
Forensic Center	2007	80,000	74,820	5,180
Family Law Center	2007	70,000	-	70,000
Parks	2015	60,000	46,503	13,497
Parks	2022	200,000	-	200,000
Public Safety	2022	100,000	-	100,000
Total Limited Tax		$ 629,000	$ 207,323	$ 421,677
Unlimited Tax				
Road Bonds	2015	700,000	305,540	394,460
Road Bonds	2022	900,000	-	900,000
Total Unlimited Tax		$ 1,600,000	$ 305,540	$ 1,294,460
Combination TR Unlimited Tax and Revenue:				
Toll Bonds	1983	$ 900,000	$ 884,852	$ 15,148
Total Combination Unlimited Tax and Revenue		$ 900,000	$ 884,852	$ 15,148
Harris County Flood Control District Limited Tax Bonds				
Flood Bonds	2018	$ 2,500,000	$ 1,008,225	$ 1,491,775
Total		$ 2,500,000	$ 1,008,225	$ 1,491,775
Total Harris County Ad Valorem Tax Bonds		$ 5,629,000	$ 2,405,940	$ 3,223,060
Port of Houston Authority Unlimited Tax Bonds		$ -	$ -	$ -
Total County-Wide Authorized/Unissued Bonds		$ 5,629,000	$ 2,405,940	$ 3,223,060

(a) As of July 24, 2023.

Source: Harris County Financial Management.

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Commercial Paper

In addition to the outstanding long-term tax debt as shown in "Table 5 – Tax Debt Outstanding," the County has established certain commercial paper programs secured by a levy of ad valorem taxes and/or toll road revenues for the purposes of financing various short-term assets and providing temporary construction financing for certain long-term fixed assets. The commercial paper program totals $2.3 billion and consists of the following eleven commercial paper programs:

Series	Program Amount	Security	Liquidity Bank	Liquidity Expiration
A-1	$100 million	limited tax	State Street	08/19/2027
B	$ 40 million	limited tax	State Street	08/19/2027
C	$360 million	unlimited tax	Sumitomo Mitsui	12/09/2025
D	$200 million	limited tax	JPMorgan Chase	08/19/2025
D-2	$300 million	limited tax	State Street	11/13/2024
D-3	$200 million	limited tax	Wells Fargo	11/12/2024
H	$500 million	limited tax	JPMorgan Chase	12/10/2024
H-2	$200 million	limited tax	PNC Bank	02/24/2025
J-1	$ 50 million	limited tax	TD Bank	06/26/2028
K	$200 million	toll road revenues	PNC Bank	04/22/2025
K-2	$150 million	toll road revenues	Barclays Bank	06/05/2026

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

A portion of the Series B Notes (parks and libraries) and all of the Series C Notes (roads and bridges) are issued pursuant to voted authorization obtained at elections held within the County in November 2001, November 2007, November 2015 and November 2022. See "Table 10 – County-Wide Authorized but Unissued Bonds." A portion of the Series B Notes are authorized to be issued for certain purposes (libraries) not required to be approved at an election. A portion of the Permanent Improvement Bonds are being issued to defease outstanding Series B Notes. A portion of the Road Bonds are being issued to defease outstanding Series C Notes. See SCHEDULE I.

The Series D Notes, Series D-2 Notes and Series D-3 Notes are authorized to be issued to pay contractual obligations incurred for (i) the construction of public works, to wit: the construction or renovation of the Civil Justice Center, Juvenile Justice Center, Juvenile Detention Center and County Courthouse, (ii) the purchase of automobiles and other vehicles, equipment and machinery, including computers, materials and supplies for the operation of the County's precincts and departments (including particularly those relating to tax assessment and collection, juvenile services, budgeting, administration and auditing, facility maintenance, law enforcement, health and roads) and other authorized needs and purposes of the County, (iii) purchasing, constructing, improving and equipping medical and health care buildings, including purchasing or improving sites for such buildings, including a Medical Examiner's Forensic Center; (iv) purchasing, constructing, improving, and equipping courthouses, including purchasing or improving sites for courthouses, including a Family Law Center; (v) acquiring or improving land, buildings or historically significant objects for park purposes or for historic or prehistoric preservations purposes, which may include joint facilities with other political subdivisions; (vi) acquiring, constructing and improving land and buildings within and for the County for an adult detention central joint processing center and related facilities, including a heating and cooling plant and parking facilities; (vii) acquiring, constructing and improving land, buildings, or in the aid and maintenance thereof parks; (viii) construction and improving land, buildings, or in the aid and maintenance thereof, for the veterinary public health adoption and care center and associated buildings; (ix) constructing, improving, renovating, equipping and acquiring land and interest in land, buildings, facilities, courthouses and related equipment for public safety purposes; (x) constructing, improving, renovating, equipping and acquiring land and interest in land, buildings, and facilities for County parks and recreational purposes; (xi) for any other purposes authorized under Chapter 1371, Texas Government Code, including but not limited to any public works; and (xii) professional services, and are not required to be approved at an election. The County's current practice is to issue Series D-3 Notes to finance roads and bridges pursuant to voted authority. In addition, a portion of the Series D Notes, Series D-2 Notes and Series D-3 Notes (permanent improvements and parks) are authorized to be issued pursuant to voted authorization obtained at elections held within the County in November 2007 (Forensic Lab or Center, Family Law Center and Parks), November 2013 (Joint Processing Center) and November 2015 (Animal Shelter and Parks) and November 2022. A portion of the Series D Notes are authorized to be issued for certain purposes pursuant to Chapter 1431, Texas Government Code, as amended, and are not required to the approved at an election. A portion of the Permanent Improvement Bonds are being issued to defease outstanding Series D Notes and Series D-2 Notes, and a portion of the Road Bonds are being issued to defease the outstanding Series D-3 Notes. See SCHEDULE I.

The Series H and H-2 Notes (flood control) are authorized to be issued pursuant to voted authorization obtained at elections held within the Flood Control District in November 2015 (acquiring land, construction, maintenance and/or operations of or on behalf of the District) and August 2018 (financing flood control projects for the Flood Control District, including purchasing lands, easements, rights-of-way and structures, and for the acquisition and construction of improvements, including detention basins, channel modifications and other works suitable for use in connection with flood damage reduction).

The Series J-1 Notes (disaster recovery) are authorized to be issued to (i) pay contractual obligations for (a) the construction of public works, (b) the purchase and capital lease of materials, supplies, equipment, machinery, buildings, lands and rights-of-way for the County's authorized needs and purposes and (c) professional services; (ii) the demolition of dangerous structures; and (iii) the accomplishment of any other purpose the County considers necessary in relation to preserving or protecting public health and safety.

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

As of June 30, 2023, specific projects have been approved for no more than $409.528 million of commercial paper. As of such date, the County had outstanding $558.375 million of commercial paper, of which $421.955 million was secured by the County's limited tax, $45.540 million was secured by the County's unlimited tax and $90.880 million was secured by toll road revenues. A portion of the Bonds will be issued to defease certain limited and unlimited tax outstanding notes issued under certain of the County's commercial paper program, as shown on SCHEDULE I.

Other Obligations

In addition to voter authorized bonds, the Commissioners Court may also authorize the issuance of certificates of obligation, short-term notes, contractual obligations for personal property, and lease obligations. In addition, the County has contractual obligations to make payments to the Flood Control District secured by the County's limited tax pursuant to the Flood Control Projects Contract. See "Table 5 – Tax Debt Outstanding."

Financial Management Products of the County

As part of the County's management of its debt portfolio, the County adopted guidelines set forth in its financial management products policy, which was originally adopted on June 29, 2004, and was most recently readopted on February 22, 2022 (the "County Financial Management Products Policy"). Pursuant to the County Financial Management Products Policy, the County may consider financial management products, such as interest rate swaps, caps, and floors (collectively, "Financial Management Products") in connection with debt issued by the County. Any use of Financial Management Products must be authorized by the Commissioners Court and approved by the Attorney General of the State. At this time, the County has no Financial Management Products outstanding payable from the General Fund Tax or the Road Bond Tax.

The County tracks and reports on the financial implications of its Financial Management Products. Monthly financial reports and an annual report of the details of existing Financial Management Products are prepared for the Commissioners Court. In addition, the County's Financial Management Products Committee performs any other monitoring and reporting that may be required by the Government Accounting Standards Board ("GASB") or the rating agencies.

INVESTMENTS

General

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

The Financial Management Office of the County invests all investable County funds, which include funds of the following departments or governmental bodies: the County, the District and the Toll Road Authority and the County Clerk and District Clerk Registry Funds. The County operates as an investment agent for the 911 Emergency Network, Juvenile Probation, Community Supervision & Corrections, the Harris County-Houston Sports Authority, Harris County Sports and Convention Corporation, Harris Health, Community Development Authority and Tax Increment Reinvestment Zone 24. Each of the above entities has a separate investment policy and investment portfolio and the funds are not commingled into a single pool of investments.

Legal Investments

Current Texas law authorizes the County to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by: (i) the Federal Deposit Insurance Corporation or its successor; or (ii) the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if: (i) the funds invested in the banking deposits are invested through: (a) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (b) a depository institution with a main office or branch office in this State that the investing entity selects; (ii) the broker or depository institution selected as described by clause (8)(i) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (a) the depository institution selected as described by clause (8)(i); (b) an entity described by Section 2257.041(d); or (c) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit that are issued by a depository institution that has its main office or a branch office in the State and is (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (ii) secured by obligations described in the preceding clauses, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b) of the Texas Government Code; or (iii) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for County deposits; (10) certificates of deposit that meet the following conditions: (i) the funds are invested by an investing entity through (A) a broker that has its main office or a branch office in this State and is selected from a list adopted by the investing entity pursuant to Section 2256.025, Texas Government Code; or (B) a depository institution that has its main office or a branch office in this State and that is selected by the investing entity; (ii) the broker or the depository institution selected by the investing entity under (i) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (4) the investing entity appoints the depository institution selected by the investing entity under (i), an entity described by Section 2257.041(d) or the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; (11) fully collateralized repurchase agreements that have a defined termination date, are fully secured by cash or obligations described in clause (1), require the securities being purchased by the County or cash held by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (12) securities lending programs if (i) the value of the securities loaned under the program are not less than 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) pledged irrevocable letters of credit issued by a bank organized under the laws of the United States or any other state, that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (14) through (16) and (18) below, (ii) securities held as collateral under a loan are pledged to the County and held in the County's name, (iii) deposited at the time the investment is made with the County or with a third party selected by or approved by the County; (iv) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State and (v) the agreement to lend securities has a term of one year or less; (13) bankers' acceptances that (i) have a stated maturity of 270 days or fewer from the date of their issuance, (ii) will be, in accordance with their terms, liquidated in full at maturity, (iii) are eligible for borrowing from a Federal Reserve Bank, and (iv) are accepted by a bank organized and existing under the laws of the United States or any state, if short-term obligations of the accepting bank, or of the bank holding company of which the bank is the largest subsidiary, are rated at least "A-1" or "P-1" or the equivalent by at one nationally recognized credit rating agency; (14) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (i) two nationally recognized credit rating agencies or (ii) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; (15) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the County with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and comply with federal Securities and Exchange Commission Rule 2a-7; (16) no-load mutual funds registered with the Securities and Exchange

Commission that: have an average weighted maturity of less than two years; and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph; or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (17) guaranteed investment contracts that have a defined termination date are secured by obligations described in clause (1) above in an amount at least equal to the amount of bond proceeds invested under such contract, and are pledged to the County and deposited with the County or with a third party selected and approved by the County; (18) certain eligible investment pools if the Commissioners Court by order authorizes investment in that particular pool; and (19) any other investment that may be authorized now or in the future by Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act").

Investment Policy

Under State law, the County is required to invest its funds under a written investment policy that primarily emphasizes safety of principal and liquidity and that addresses investment diversification, yield, maturity, and the quality and capability of investment management. The County adopted its current investment policy on September 27, 2022, effective October 1, 2022. All County funds must be invested in investments that are consistent with the operating requirements of the County.

Table 11 – Current Investments

As of, June 30, 2023, the following percentages of the County's investable funds were invested in the following categories of investments. The average remaining maturity of such investments was 170 days based on par value.

Distribution of Investable Funds	
U.S. Government Securities	48%
Money Market & Demand Deposits	36
Commercial Paper	9
Municipal Securities	7
	100%

Source: Harris County Financial Management.

THE COUNTY

Administration of the County

Harris County is a southeast Texas county and a major component of the Houston Primary Metropolitan Statistical Area. The County's population was estimated to be approximately 4.78 million as of July 1, 2022, according to the Bureau of the Census estimates, Harris Central Appraisal District data and historical trends.

The County Judge and the four County Commissioners who comprise the Commissioners Court, the County Tax Assessor-Collector and the County Treasurer, all of whom are elected officials, and the County Auditor have responsibility for the financial administration of the County.

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

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

The County Commissioners are Rodney Ellis, Adrian Garcia, Tom Ramsey, and Lesley Briones, and each represents one of the four precincts into which the County is divided. Each County Commissioner is elected by the voters of the applicable precinct to a four-year term of office.

The County Tax Assessor-Collector, Ann Harris Bennett, is an elected official of the County responsible for assessing and collecting ad valorem taxes. The County Tax Assessor-Collector is elected by voters, on a County-wide basis, to a four-year term of office.

The County Treasurer, Carla L. Wyatt, is an elected official of the County and the chief custodian of County funds, which duties include the receipt of all monies belonging to the County from whatever source they may be derived, the deposit of such funds in a designated depository, and the payment and application or disbursement of such funds, in such manner as the Commissioners Court may require or direct not inconsistent with law. The County Treasurer is elected by voters, on a County-wide basis, to a four-year term of office.

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

The County Clerk, Teneshia Hudspeth, is an elected official of the County. The County Clerk's office maintains the records of the County's Commissioners Court, Probate Courts and the Civil Courts at Law. The County Clerk is elected by voters, on a County-wide basis, to a four-year term of office.

The County Attorney, Christian D. Menefee, an elected official of the County, advises and represents the County and its officers and employees in connection with legal matters. The County Attorney is elected by voters, on a County-wide basis, to a four-year term of office.

The Interim County Administrator, Diana Ramirez, is charged with day-to-day oversight of County government and providing guidance and coordination to all County departments. The County Administrator is appointed by the Commissioners Court.

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

Table 12 – County Employees

The number of County employees at Fiscal Years ended 2018 through 2022, and the seven-month period ended September 30, 2022, are set forth below:

	2018	2019	2020	2021	2022	9/30/2022[(a)]
Administration of Justice	10,275	10,181	10,909	11,194	11,115	10,937
Parks	913	924	899	613	587	554
County Administration	3,460	3,481	3,054	3,222	3,331	3,416
Health and Human Services	1,488	1,487	1,622	1,582	1,653	1,667
Flood Control	290	316	325	331	347	350
Tax Administration	368	365	418	382	377	371
Roads and Bridges	568	542	659	489	364	381
Total	17,362	17,296	17,886	17,813	17,774	17,676

(a) As of September 30, 2022, it is estimated that approximately 4,877 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.

Source: Harris County Auditor's Office.

County Retirement Program and Other Post-Employment Benefits

The Texas County and District Retirement System (the "System" or "TCDRS") administers a combined retirement program for officials and eligible employees of the County. The County provides retirement and disability benefits for all of its employees (excluding temporary employees) through a non-traditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the system. TCDRS does not receive State funding. Each plan is funded independently by participating counties, districts and employees. TCDRS in the aggregate issues an Annual Comprehensive Financial Report or "ACFR" on a calendar year basis. The 2022 ACFR is available at https://www.tcdrs.org/globalassets/library/reports/2022-annual-report.pdf.

The Texas Legislature created TCDRS in 1967. Since then, TCDRS has grown into a multi-billion dollar trust with over 800 participating employers. TCDRS is a savings-based plan. TCDRS employers, such as the County, advance fund their plans over the length of their employees' careers. Unlike traditional pension plans where the benefit is based on the final salary and length of career, the TCDRS benefit is based on the total final employee savings balance and employer matching. Also, with TCDRS, employers have flexibility and local control to choose benefit levels to meet their needs and budgets.

TCDRS commissions an annual actuarial valuation of the plan. The County's annual contribution rate is determined as a part of the annual actuarial valuation and consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 20-year amortization period which began December 31, 2008, using the entry age actuarial cost method. The TCDRS Board reduced the investment return assumption from 8.0% to 7.5% effective December 31, 2020, and used a portion of the system's reserves and re-amortized liabilities to help mitigate increases to employer contribution rates. The County's required contribution rate for calendar year 2022 is 15.70% based upon a December 31, 2021 actuarial valuation date compared to 14.61% for calendar year 2021. The County elected to contribute 15.1% for calendar year 2021 and 15.7% for 2022. The County's net pension asset for the year ended September 30, 2022, was $253,423,134. The fiduciary net position as a percentage of total pension asset as of September 30, 2022 was 103.21%. For a description of the plan, including County and employee contributions for the most recent fiscal year and the possibility of unfunded liabilities, see Note 9: Retirement Plan to the County's ACFR attached hereto as APPENDIX A-1 and APPENDIX A-2.

The County is subject to GASB 75, which requires the County to estimate the liabilities of its retiree healthcare plan (other post-employment benefits or "OPEB"), as well as recognize contribution amounts and reserves relating to its OPEB plans for current retirees and employees. The net OPEB liability for the County and District retiree health care benefits as of September 30, 2022 (as determined by an actuarial valuation as of March 1, 2022) was $2,779,840,257, using a 4.50% discount rate. The County may modify its OPEB plans in the future and such liabilities may change. See Note 10: Other Postemployment Benefits to the ACFR attached hereto as APPENDIX A-1 and APPENDIX A-2.

County Offices and Courts and Branch Office Buildings

The County's courthouse complex in downtown Houston covers an area of approximately 10 city blocks and includes most of the County's administrative offices and the County's State District Courts and County Courts. The 10 major buildings in the courthouse complex include a civil courts building, a criminal courts building, a family law center, a juvenile justice center, the jury assembly building, the 1910 Courthouse, which houses the 1st and 14th Courts of Appeal, two buildings housing administrative offices and two parking garages. Other buildings adjacent to the courthouse complex include three detention centers, several administrative and operational support facilities and two central plants for cooling and heating.

The County also owns or rents a number of branch office buildings. These buildings house 15 Justice of the Peace Courts at separate locations and various facilities for the Sheriff, the Constables, the Tax Assessor-Collector, the County Clerk and the County Commissioners.

Other County Services

The County operates a County jail and detention system, an extensive system of roads, streets, bridges and highways, a park system, a library system and juvenile homes and provides various levels of civil and criminal courts, a District Attorney's office, a County Attorney's office, a County Sheriff's department, juvenile probation and detention services and mosquito control services. The County also provides various public health and social welfare services which include financial assistance to indigent people requiring extensive nursing care, protective services for dependent and neglected children, special nutrition programs for the elderly, employment of public health nurses, regular inspection of restaurants and other food handling establishments, investigation of sanitary sewer and other pollution control facilities, immunization and licensing of animals and operation of a mental health and mental retardation facility and related services. In addition, the County owns NRG Park (formerly known as Reliant Park), which is comprised of NRG Center, NRG Stadium, NRG Astrodome and NRG Arena, and provides for their operation through the Harris County Sports & Convention Corporation, a non-profit corporation created by the County.

Office of the County Engineer

The purpose of the Office of the County Engineer is to coordinate and develop plans, budgets and studies for an infrastructure program that includes roads, parks and flood control. The County Engineer is appointed by the Commissioners Court.

Harris County Toll Road Authority

The Harris County Toll Road Authority (the "Toll Road Authority") was established pursuant to Chapter 284 of the Texas Transportation Code, as amended, by an order adopted by the Commissioners Court in September 1983. The Toll Road Authority currently operates as a department of the County. Through its operating board, which is composed of the members of the Commissioners Court, the Toll Road Authority may exercise, with regard to the County's toll road projects, the same power and authority as may be exercised by the Commissioners Court. Such powers include eminent domain, subject to such limitations and restrictions as are from time to time prescribed by the Commissioners Court. The Toll Road Authority exists for the purpose of implementing the County's toll road projects, the various components of which comprise the Harris County Toll Road System. The Toll Road Authority generally does not have responsibilities with respect to other road projects of the County, except for road projects undertaken in connection with the County's mobility and connectivity program and other non-tolled projects to the extent permitted by the indentures relating to toll road debt and applicable State law, as the Commissioners Court may determine. The Toll Road Authority coordinates County and regional transportation planning with other County departments, as well as outside entities, such as cities, other counties, TxDOT and METRO. Neither the assets nor the revenues of the Toll Road Authority are pledged as security for the payment of the Bonds.

Harris County Flood Control District

The Harris County Flood Control District (the "District" or "Flood Control District"), created by a special act of the Texas Legislature in 1937, is a conservation and reclamation district authorized under Article 16, Section 59 of the Texas Constitution and Article 8280-120, Tex. Rev. Civ. Stat., as amended, and a political subdivision of the State. The District was created for the purpose of controlling storm and floodwater of rivers and streams and reclaiming and draining overflow lands within its boundaries.

The District's boundaries are coterminous with those of the County, and certain of its officials are also officials of the County. Since the creation of the District, the County has relinquished certain flood control and drainage activities to the District. The District is responsible for devising and managing a storm water management plan and maintaining flood control infrastructure, which includes more than 1,500 channels totaling approximately 2,500 miles in length. The District encompasses approximately 1,777 square miles, 22 watersheds and 3,000 miles of watercourses. Substantially all of the City of Houston, the nation's fourth largest city, is located within the District.

For information relating to subsidence, see "ENVIRONMENTAL REGULATION – Area Topography and Land Subsidence." Neither the assets nor the revenues of the District are pledged as security for the payment of the Bonds.

Harris County Hospital District

The Harris County Hospital District (the "Hospital District"), a component unit of the County, was created by authorization of the legislature of the State and subsequent approval by the voters of the County in November 1965. The Hospital District provides patient care to the indigent population of the County and receives property taxes levied by the County for the provision of this care. The Hospital District operates two acute care hospitals and a hospital-based skilled nursing and rehabilitation facility and psychiatric unit, with a total of 700 licensed beds. The Hospital District also operates 18 primary care health clinics; five specialty clinics providing dental, dialysis, HIV/AIDS treatment and outpatient specialty services; five school-based clinics, five same day clinics, and five mobile health clinics. The Hospital District is exempt from federal income taxes. The Hospital District is a component unit of the County (legally separate from the County) since the members of the Hospital District's governing board are appointed by Commissioners Court. The Commissioners Court approves the Hospital District's tax rate and annual operating and capital budget. The County does not provide any funding to the Hospital District, hold title to any of the Hospital District's assets or have any rights to any surpluses of the Hospital District. Neither the assets nor the revenues of the Hospital District are pledged as security for the payment of the Bonds.

Harris County-Houston Sports Authority

The Harris County-Houston Sports Authority (the "Sports Authority") was created by concurrent orders of the Commissioners Court of Harris County, Texas and the City Council of the City of Houston, Texas, effective September 1, 1997. The Sports Authority is a separate political subdivision of the State, organized as a sports and community venue district under Chapters 334 and 335, Texas Local Government Code. Since its creation, the Sports Authority has issued debt to finance the construction of (a) Minute Maid Park for use by the Houston Astros Major League baseball team, (b) NRG Stadium for use by the Houston Texans National Football League team, and (c) the Toyota Center and Tundra garage for use by the Houston Rockets National Basketball Association team. The Sports Authority's bonded indebtedness is secured by senior, junior, and subordinate lien pledges of hotel occupancy and motor vehicle taxes, and by separate pledges of certain special revenues from facilities. The Sports Authority is a separate governmental subdivision from the County and the County is prohibited from using its ad valorem tax revenues for payment of any of the Sports Authority's obligations. Neither the County nor taxpayers have direct liabilities related to Sports Authority obligations. The management of the Sports Authority is the responsibility of its 13-member board of directors, six of which are appointed by the City Council of the City of Houston, six of which are appointed by the Commissioners Court of the County, and the chair of which is appointed jointly by the City and the County. Neither the assets nor the revenues of the Sports Authority are pledged as security for the payment of the Bonds.

Harris County Sports and Convention Corporation

The Harris County Sports and Convention Corporation (the "Sports Corporation"), a component unit of the County (legally separate from the County), was created by order of the Commissioners Court on January 26, 1999. The Sports Corporation is a local government corporation formed under the Texas Transportation Act for the purposes of aiding and acting on behalf of the County in managing, operating, maintaining and developing the sports and entertainment complex located on property owned by the County known as NRG Park. NRG Park consists, mainly, of NRG Stadium, NRG Center, NRG Arena, NRG Astrodome, NRG Park Central Park and NRG Park Plant Two. The Sports Corporation is a public nonprofit corporation that is governed by a board of directors consisting of five members, all appointed by the Commissioners Court. Neither the assets nor the revenues of the Sports Corporation are pledged as security for the payment of the Bonds.

BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET

Current Operating and Debt Service Funds Budgeting Procedures for the County

Under the County's budgeting procedures, the County Budget Officer, who is appointed by the Commissioners Court, prepares the budget for the County for the Fiscal Year, after consultation with department heads and representatives of members of the Commissioners Court. The proposed budget, together with revenue estimates furnished by the County Auditor, is submitted to the Commissioners Court for its consideration. The County's current Fiscal Year began on October 1 and will end on September 30. See "–Change in County Fiscal Year" herein for a discussion of the change in the County's fiscal year.

Public hearings on the budget are held by the Commissioners Court, which may increase or decrease any budget item prior to such budget's formal adoption; however, the amount budgeted for any fund cannot exceed the County Auditor's estimate of revenues for the budget year plus the cash balances at the beginning of the same Fiscal Year.

After the budget has been adopted by the Commissioners Court, the Budget Officer and County Auditor are responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeting appropriations and for keeping the members of the Commissioners Court advised of the condition of the various appropriation accounts. The Commissioners Court may transfer amounts among budget classifications in these funds, but no such transfer will increase the total of the budget. Purchase orders and contracts are not valid until the County Auditor certifies that money is or will be available to make payment.

Encumbrances against budgeted appropriations are recorded in the County's records upon execution of purchase orders, contracts or other appropriate documents. Encumbered amounts remaining unexpended at the end of the year are re-appropriated in the following year's budget.

Table 13 – Operating Funds Budget for the County's Fiscal Year 2022-2023

On September 13, 2022, the Commissioners Court adopted the budget for the County for Fiscal Year 2023, which included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2023 budget for the County's Current Operating Fund:

Cash Balance as of October 1, 2022	$ 393,081,337
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,800,930,242
Charges for Services	259,877,784
Fines and Forfeitures	12,025,140
Intergovernmental Revenues	74,129,237
Interest	1,636,159
Other	47,234,124
Total Cash and Estimated Revenues	$ 2,588,914,023
Appropriations:	
Current Operating Expenses	$ 2,530,169,836
Capital Outlay:	
Roads	14,470,538
Parks	44,273,649
Total Appropriations	$ 2,588,914,023

Table 14 – General Fund Balances for Fiscal Years 2018 Through 2022

The table below shows the County's General Fund balances for Fiscal Years 2018 through 2022 and the seven months ended September 30, 2022. The information provided in such table was prepared using the modified accrual basis of accounting.

	2018[(a)]	2019[(a)]	2020[(a)]	2021[(a)]	2022[(a)]	9/30/2022[(a)(b)]
Unrestricted Cash Balance	$1,538,868,819	$1,670,575,919	$1,846,640,401	$2,214,359,440	$2,070,937,648	$1,001,967,209
Revenues/Other Sources	2,423,710,761	2,399,964,348	2,518,023,895	3,114,995,974	2,774,583,653	791,287,877
Expenditures/Other Uses	2,276,019,431	2,265,649,889	2,336,868,442	2,758,655,593	2,965,777,817	2,035,692,543
Fund Balance:						
Nonspendable	8,405,900	9,325,408	13,053,415	5,192,842	6,701,664	14,108,512
Restricted	512,962,739	532,074,026	533,151,681	944,737,889	781,834,387	541,094,389
Committed	0	0	0	0	73,236,168	19,437,780
Assigned	50,988,858	40,139,177	31,299,415	27,414,385	56,831,745	60,843,701
Unassigned	1,162,834,872	1,287,968,217	1,473,157,770	1,379,657,546	1,297,204,536	335,919,450
Total Fund Balances	$1,735,192,369	$1,869,506,828	$2,050,662,281	$2,407,002,662	$2,215,808,498	$971,403,832

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

(b) For the Fiscal Period ended September 30, 2022, the General Fund reported a net fund balance decrease of $1,244,404,666 largely due to the effect of changing the reporting period on tax revenue recognition. See Appendix A-2.

Source: Harris County Auditor's Office

Table 15 – County Capital Project Funds

The County Capital Project Funds, exclusive of projects undertaken by the Toll Road Authority but including capital funds for District projects, are used to construct roads, office and court buildings, jails, juvenile home facilities, parks, libraries and flood control facilities. Cash and investments on hand in the Capital Projects Funds at September 30, 2022 derived from the sale of bonds and other sources are designated to be spent over a period of several years for the following purposes (except that portions of such representing investment income may be used for debt service):

Roads	$ 183,608,270
Permanent Improvements	9,814,556
Flood Control	224,303,118
Total	$ 417,725,944

Change in County Fiscal Year

On February 8, 2022, Commissioners Court adopted a new operating budget and implemented a Fiscal Year end change for the County, as follows:

- Prior Fiscal Year End: Last Day of February (February 28/29)
- New Fiscal Year End: September 30

With this change in the Fiscal Year end, there was a transitional seven-month fiscal period for the County from March 1, 2022, to September 30, 2022. The County prepared financial statements and subjected them to an audit for the transitional seven-month period. The next full Fiscal Year is the twelve-month period that began on October 1, 2022, and ends on September 30, 2023. On February 16, 2022, the County notified the MSRB with filings on the EMMA website regarding this change. If the County changes its Fiscal Year again, it will again notify the MSRB of the change.

PENDING LITIGATION

The County is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of the performance of governmental functions, certain of which seek substantial damages. Such litigation includes lawsuits claiming damages that allege personal injuries, wrongful deaths and property damage and lawsuits alleging discriminatory hiring and firing practices; various claims from contractors for amounts under construction contracts; inverse condemnation claims; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The County cannot predict, as of the date hereof, the final outcome of any of such claims and suits.

In 2016 the case of *O'Donnell v. Harris County*, Case No. 4:16-cv-01414, was filed in the United States District Court for the Southern District of Texas, alleging violations of civil rights on the basis of unequal treatment of indigent misdemeanor defendants in the requirements applied to be released on bail. In 2019, the parties entered into, and the District Court approved, a consent decree (the "Consent Decree") intended to implement and enforce certain changes to the County's misdemeanor bail practices. Implementing these changes and complying with the conditions of the Consent Decree require significant annual funding commitments by the County, which are currently expected to total between $60 million and $90 million expended over a period of 10 years. The aggregate financial impact of the Consent Decree on the County is difficult to quantify because certain requirements of the Consent Decree are expected to result in mitigating cost savings to the County. In the opinion of management of the County, it is improbable that settlement agreements previously entered into by the County or lawsuits now outstanding against the County that are associated with the operation of the County could become final in a time and manner so as to have a material adverse financial impact upon the operations of the County.

ENVIRONMENTAL REGULATION

General

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

Air Quality

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act ("CAA") Amendments of 1990, the eight county Houston Galveston-Brazoria Area (the "HGB Area") has been designated by the EPA as a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the more rigorous, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remained subject to CAA nonattainment requirements.

In a final rule that became effective on March 16, 2020, the EPA determined that the HGB Area had met the CAA criteria for redesignation to attainment status under the 1997 Ozone Standards and EPA terminated the obligations that had applied in the HGB Area under the 1997 Ozone Standards. However, the HGB Area remains designated as a nonattainment area under the 2008 and 2015 Ozone Standards, and the TCEQ remains obligated to demonstrate attainment with the more stringent 2008 and 2015 Ozone Standards under the CAA.

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior "serious" classification, effective November 7, 2022. The State will be required to submit State Implementation Plan ("SIP") revisions to the EPA no later than 18 months after the November 7, 2022 effective date of the final rule reclassifying the HGB Area as a "severe" nonattainment area, and any new emissions controls that the TCEQ determines are needed for attainment must be implemented within 36 months of November 7, 2022. The HGB Area could be subject to more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "moderate" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. EPA issued a final rule determining that the HGB Area failed to meet the attainment deadline under its prior "marginal" classification, effective November 7, 2022. For purposes of the 2015 Ozone Standard, the HGB Area consists of six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a SIP for the HGB Area that sets emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can impact new and expanded industrial activity due to the additional permitting/regulatory constraints that accompany this designation. It is possible that additional controls will be necessary to allow the HGB Area to attain the ozone standards by the EPA's attainment deadlines. These additional controls could create impediments and costs for new industrial development in the HGB Area.

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

Area Topography and Land Subsidence

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

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

Clean Water Act

The scope of federal Clean Water Act ("CWA") jurisdiction has been subject of substantial legislative, executive, and judicial activity over the past several decades, with the reach of federal regulatory and permitting authority over wetlands and other waters not deemed traditionally navigable being a source of significant legal dispute and change. Varying rules on the "Waters of the U.S.," or "WOTUS," were promulgated by EPA in 2015, 2019, and 2020 and on December 30, 2022, the EPA reinstated pre- 2015 standards, which were finalized and in effect March 20, 2023. The U.S. Supreme Court in *Sackett v. EPA* recently narrowed the current scope of WOTUS and the EPA and the U.S. Army Corps of Engineers are reviewing the decision to determine next steps. The scope of WOTUS jurisdiction is relevant to the County as Section 404 of the CWA requires certain projects in and adjacent to jurisdictional waters to obtain permits from the U.S. Army Corps of Engineers, to undergo substantial environmental reviews in connection with those permit approvals, and to offset or mitigate impacts to wetlands arising from such projects. In general, it is anticipated that such reviews and/or approvals could materially impact the costs of certain projects or increase the regulatory obligations of the County.

WEATHER EVENTS AND PERIODIC FLOODING

General Weather Events

The County is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of rain events, tropical storms and hurricanes. See "Hurricane Harvey." The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities. Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

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

If flooding or another weather-related event, including a winter storm, were to significantly damage improvements within the County, the assessed value of property within the County could be reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the County's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the County will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged improvements with-in the County. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the County would be adversely affected.

Hurricane Harvey

Hurricane Harvey made landfall on August 25, 2017 near Corpus Christi, Texas, 200 miles south of the County. The impact of Hurricane Harvey on the County was primarily historic flooding; the County sustained minimal damage from wind, storm surge and other weather effects typically associated with a hurricane.

Property values were impacted temporarily for homes that sustained flood damage and were still being repaired on January 1, 2018 (the valuation date for property values for the County's 2018 ad valorem property taxes). Once fully repaired, these homes generally returned to their pre-storm values. The ad valorem tax values as of January 1, 2019 and the estimated values as of January 1, 2020 were both up overall by 3-6%. As with similar events, there was not a significant impact on property values for the County, due to continued growth in both residential and business property.

On August 25, 2018, voters approved $2,500,000,000 in bonds for the purpose of financing flood control projects. The projects include the purchase of lands, easements, rights-of-way and structures, voluntary buyouts of flood-prone properties, property acquisition for preserving natural floodplains, and for the acquisition and construction of detention basins, channel modifications and other improvements and works suitable for use in connection with flood damage reduction. The Flood Control District currently also receives an annual allocation of $120 million of property tax revenue for use in flood control efforts. Because of Hurricane Harvey and other major flooding events over the last few years, several potential changes to the local system of watersheds, reservoirs and channels are being considered, some of which would require significant additional funding, including State and federal funds and additional County and Flood Control District resources. The County is reviewing additional funding options to finance flood control projects, but the availability of the required additional funding is not expected to slow flood control projects for several years.

INFORMATION TECHNOLOGY AND OTHER RISK FACTORS

The County depends upon information and computing technology to conduct general business operations. These systems may be subject to disruptions or security breaches that could materially disrupt the County's operations, cause reputational damage and/or give rise to losses or legal liability. The County's information technology department continually monitors these threats and has implemented practices, policies, security systems, and design features to protect the security of its information technology systems and data. However, no assurance can be given that such measures will fully prevent potential business continuity or cybersecurity risks arising from events wholly or partially beyond the County's control, including electrical telecommunications outages, natural disasters, or cyber-attacks, or larger scale political events, including terrorist attacks. Any such occurrence could materially and adversely affect the County's operations and reputation, which could lead to decreased financial performance that insurance may not cover and may require the County to expend significant resources to correct the failure or disruption.

2023 LEGISLATIVE SESSION

The Texas Legislature convenes in regular session every two years in odd-numbered years for 140 days during which the Legislature may consider bills that could have a direct impact on the County. The 88th Texas Legislature convened in regular session on January 10, 2023, and ended on May 29, 2023, sine die. Immediately after the conclusion of the regular session, the

Texas Governor called a first special session to address property tax relief from school district taxation and border security; the first special session began on May 29, 2023 and ended on June 27, 2023 with no resolution to the school district taxation charge. At the conclusion of the first special session, the Governor called a second special session, which began on June 27, 2023, primarily for the purpose of addressing property tax relief. During the 2023 Regular Legislative Session and the First and Second Called Sessions, the Texas Legislature approved numerous new laws and changes to various State statutes. The County is in the process of analyzing such new laws and changes, including Senate Bill 2 as discussed under "AD VALOREM TAXES—2023 Legislative Session" and House Bill 2127 ("HB 2127"), a "super preemption" bill that is designed to override a wide range of local business regulations with State law. The Governor signed HB 2127 on June 14, 2023, and it will become effective September 1, 2023. While some County regulations might need to be rescinded or amended, the County does not expect that compliance with HB 2127 will have a material adverse effect on the levy and collection of the ad valorem taxes pledged to the payment of the Bonds.

The Governor may call one or more special sessions, each of which may last no more than thirty (30) days and for which the Governor sets the agenda. In a special session, the Legislature may consider additional bills that could have a direct impact on the County. The Governor is expected to call additional special sessions to address various other matters not fully addressed during the regular session, or the subsequent called sessions, including school vouchers. At this time, the County can make no further representations or predictions concerning the substance or effect of laws passed in the 88th Texas Legislature, any other legislation that may be passed in the future, legislative topics that may be included in the call for future special sessions or how such legislation could affect the County.

BONDHOLDERS' REMEDIES

The Orders obligate the Commissioners Court to levy, assess, and collect an annual ad valorem tax, within the limits prescribed by law for the Permanent Improvement Bonds, and without limit as to rate or amount for the Road Bonds, that will be sufficient to pay, when due, the principal of and interest on such Bonds. The Orders, however, make no provisions for (1) other security for the payment of the Bonds, (2) express remedies in the event of default, (3) acceleration of maturity of the Bonds if default occurs or (4) a trustee to protect the rights of the owners of the Bonds.

In the event of any failure of the Commissioners Court to perform in accordance with the terms of the Orders, the owners of the Bonds would be responsible for the initiation and cost of any legal action to enforce performance of the Orders. Generally, the County may raise governmental immunity against a suit for money damages, and if a judgment was obtained in such a suit it could not be satisfied by execution against any public purpose property of the County. The only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Commissioners Court to annually levy, assess and collect the ad valorem tax in an amount sufficient (but with respect to the Permanent Improvement Bonds, within the limits prescribed by law) to pay the principal of and interest on the Bonds as they become due or to compel the County to perform other material terms and covenants contained in the Orders. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and State law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time-consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The County is also eligible to seek relief from creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Co-Bond Counsel will note that all opinions relative to the enforceability of the Orders and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, are investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The County has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

REGISTRATION AND QUALIFICATION OF BONDS

The Bonds have not been registered under the federal Securities Act of 1933, as amended, in reliance upon an exemption contained therein; the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been qualified under the securities acts of any other jurisdiction. The Orders have not been qualified under the federal Trust Indenture Act of 1939, as amended, in reliance upon an exemption therefrom.

The County assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Permanent Improvement Bonds from the County at a price of $____________ (representing the par amount of the Permanent Improvement Bonds, plus an [net] original issue premium of $____________, and less an underwriting discount of $____________).

The Underwriters have agreed, subject to certain conditions, to purchase the Road Bonds from the County at a price of $_________ (representing the par amount of the Road Bonds, plus an [net] original issue premium of $__________, and less an underwriting discount of $___________).

The Underwriters' obligation to purchase the Bonds is subject to certain conditions precedent and the Underwriters' obligations to purchase the Permanent Improvement Bonds and the Road Bonds are separate obligations and are not dependent upon the Underwriters' obligation to purchase any or all of the other series of Bonds. The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Bonds into investment accounts.

The remaining paragraphs under this heading have been provided by the Underwriters:

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

Huntington Capital Markets is a trade name under which securities and investment banking products and services of Huntington Bancshares Incorporated and its subsidiaries, including Huntington Securities, Inc. ("HSI"), are marketed. Municipal sales, trading and underwriting services are provided through HSI, which is a broker-dealer registered with the Securities and Exchange Commission.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation, with respect to the Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATINGS

Moody's Investors Service, Inc. and Kroll Bond Rating Agency, LLC. have assigned credit ratings of "Aaa" and "AAA," respectively, to the Bonds. A rating reflects only the view of the rating agency assigning such rating, from whom an explanation of the procedure and methodology used by such rating agency may be obtained. The County is not obligated to maintain the current ratings on the Bonds and there is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of any or all of the Bonds. The County will undertake no responsibility to oppose any withdrawal or revision of such ratings or to notify the owners of the Bonds of any such revisions or withdrawals of ratings. A securities rating is not a recommendation to buy, sell or hold the Bonds.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Tax Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The County has covenanted in the Orders that it will comply with these requirements.

Tax Counsel's opinion will assume continuing compliance with the covenants of the Orders pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the County and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the County and such other parties, which Tax Counsel has not independently verified. If the County fails to comply with the covenants in the Orders or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Tax Counsel will express no opinion as to the amount or timing of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Orders upon the advice or with the approving opinion of Tax Counsel. Tax Counsel will express no opinion with respect to Tax Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Tax Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Tax Counsel's knowledge of facts as of the date thereof. Tax Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Tax Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Tax Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Tax Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the County as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

For tax years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"). In such case, the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax

Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on pages i and ii of this Official Statement. Neither the County nor Tax Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

LEGAL PROCEEDINGS

The delivery of the Bonds is subject to receipt of the legal opinion of Bracewell LLP, Houston, Texas, and West & Associates, L.L.P., Houston, Texas, Co-Bond Counsel, as to the validity of the issuance of the Bonds under the Constitution and laws of the State, and subject to the opinion of Bracewell LLP, as Tax Counsel, with respect to the excludability of interest on the Bonds from gross income of the owners thereof for federal income tax purposes. See "APPENDIX B-1 – FORMS OF OPINIONS OF CO-BOND COUNSEL" and "APPENDIX B-2 – FORM OF OPINION OF TAX COUNSEL." The opinions of Co-Bond Counsel and Tax Counsel will be based upon an examination of transcripts of certain proceedings taken by the County incident to the issuance and authorization of the Bonds. The payment of the fees and expenses of Co-Bond Counsel and Tax Counsel for their services with respect to the Bonds is contingent upon the sale and delivery of the Bonds.

Except as noted below, Co-Bond Counsel did not take part in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in their capacity as Co-Bond Counsel, such firms have reviewed the information contained in the Official Statement on the cover page and in the sections entitled "INTRODUCTION," "PURPOSE AND PLAN OF FINANCE," "THE BONDS," (other than the information concerning DTC and the book-entry-only system) and "CONTINUING DISCLOSURE OF INFORMATION" insofar as such statements expressly summarize certain provisions of the Orders, and the Bonds, and the form and content of Co-Bond Counsel's and Tax Counsel's opinions attached as Appendix B-1 and Appendix B-2 to the Official Statement, are accurate in all material respects; further, such firms have reviewed the information appearing under the captions "TAX RATE LIMITATIONS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "REGISTRATION AND QUALIFICATION OF BONDS" "TAX MATTERS" (to be opined upon by Tax Counsel only), and "LEGAL PROCEEDINGS" (first paragraph only) and such firms are of the opinion that legal matters contained under such captions are an accurate and fair description of the laws and legal issues addressed therein.

Certain legal matters will be passed upon for the County by Norton Rose Fulbright US LLP, Houston, Texas and Leon Alcala, PLLC, Houston, Texas, Co-Disclosure Counsel. The payment of the fees and expenses of Co-Disclosure Counsel for their services with respect to the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the County by Christian D. Menefee, County Attorney for the County and for the Underwriters by their co-counsel, Haynes and Boone, LLP and Bratton & Associates, PLLC, both of Houston, Texas. The payment of fees and expenses of co-counsel to the Underwriters for their services with respect to the sale and delivery of the Bonds is contingent upon the delivery of the Bonds.

Haynes and Boone, LLP and Bratton & Associates, PLLC, may individually represent the County from time to time in transactions not related to the issuance of the Bonds.

Bracewell LLP, West & Associates, L.L.P., Norton Rose Fulbright US LLP, Leon Alcala, PLLC, may individually represent one or more of the Underwriters from time to time in transactions not related to the issuance of the Bonds.

CO-FINANCIAL ADVISORS

Masterson Advisors LLC and TKG & Associates LLC have been retained by the County as its "Co-Financial Advisors" in connection with the issuance of the Bonds and, in such capacity, have assisted the County in the preparation of documents. The Co-Financial Advisors' fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance of the Bonds.

Although the Co-Financial Advisors have read and participated in the preparation of this Official Statement, such firms have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the records of the County and from other sources that are believed to be reliable, including financial records of the County and other entities that may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

CONTINUING DISCLOSURE OF INFORMATION

In the Orders, the County has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe these agreements for so long as the County remains obligated to advance funds to pay a series of Bonds. The County will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB").

For information relating to the County's continuing disclosure filing history, see www.emma.msrb.org.

Annual Reports

The County will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated provided by the County includes all quantitative financial information and operating data of the general type included in this Official Statement in APPENDIX A-1 with respect to the County, and under the schedules listed in APPENDIX C. The County will update and provide this information within six months after the end of each Fiscal Year, beginning with the Fiscal Year ending September 30, 2023.

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the County commissions audits and the audits are completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A-1 or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County's current Fiscal Year and each subsequent fiscal year end is on September 30. Accordingly, the County is required to provide updated information by March 31 in each year, unless the County changes its Fiscal Year. If the County changes its Fiscal Year, the County will notify the MSRB.

Certain Event Notices

The County also will provide timely notices of any of the following events with respect to their series of Bonds (not in excess of 10 business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material; (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an County, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

For these purposes, any event described in item (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County. A "financial obligation" as described in (15) and (16) above means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

In addition, the County will provide timely notice of any failure by the County to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The County will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

Availability of Information

The County has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed pursuant to its Electronic Municipal Market Access ("EMMA") System. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The County has agreed to update information and to provide notices of events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of the continuing disclosure agreement or from any statement made pursuant to such agreement, although holders of Bonds may seek a writ of mandamus to compel the County to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the County's duties under federal or state securities laws.

The County may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County if, but only if (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds affected thereby consent or (b) any qualified person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds affected thereby. If the County amends its agreement, it has agreed to include with the financial information and operating data next provided, in accordance with its agreement described above under "Annual Reports," an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided. The County may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the County also may amend the provisions of its agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

INDEPENDENT AUDITOR

APPENDIX A-1 to this Official Statement contains the basic financial statements of the County, for the Fiscal Year ended February 28, 2022, and APPENDIX A-2 contains the basic financial statements of the County for the seven months ended September 30, 2022. The basic financial statements of the County for the Fiscal Year ended February 28, 2022, and as of and for the seven months ended September 30, 2022, included in this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports included with such financial statements in APPENDIX A-1 and APPENDIX A-2. The report on the County's financial statements contains a reference to other auditors.

The basic financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America and, in addition to financial information with respect to the County, include financial information with respect to the Harris County Flood Control District, the Harris County Sports & Convention Corporation, the Harris County Redevelopment Authority, the Harris County Hospital District, doing business as Harris Health System, Harris County Housing Finance Corporation, Harris Center for Mental Health and IDD (formerly Mental Health and Mental Retardation Authority of Harris County), Harris County Industrial Development Corporation, Children's Assessment Center Foundation, Inc., Harris County Health Facilities Development Corporation, Harris County Cultural Education Facilities Finance Corp. and Friends of County Pets, all of which are separate entities which are not obligated for the payment of the Bonds. Accordingly, financial and statistical information with respect to such separate entities is generally not included in this Official Statement.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical are forward-looking statements, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. It is important to note that the County's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The information set forth herein has been obtained from records, financial reports and other sources of the County which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and orders. These summaries do not purport to be a complete statement of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

MISCELLANEOUS

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any forecast will approximate actual results, and all opinions, estimates, and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Statements made herein regarding the Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Orders, copies of which are available upon request from Amy Perez, Director, Financial

Management, Harris County Administration Building, 1001 Preston, Suite 500, Houston, Texas 77002, (713) 274-1130, upon the payment of reasonable reproduction and postage costs.

The County's annual audited financial statements are available from Michael Post, C.P.A., County Auditor, Harris County Administration Building, 1001 Preston, 8th Floor, Houston, Texas 77002, (832) 927-4600, upon the payment of reasonable reproduction and postage costs. Electronic copies can be obtained from the Harris County website at www.harriscountytx.gov/auditor. Monthly financial statements are also available on the website.

This Official Statement was approved, and the delivery of this Official Statement authorized on behalf of the County by the Commissioners Court.

SCHEDULE I

REFUNDED NOTES

Permanent Improvement Refunded Notes

$30,000,000 Harris County, Texas General Obligation Commercial Paper Notes, Series B

$33,630,000 Harris County, Texas General Obligation Commercial Paper Notes, Series D

$66,370,000 Harris County, Texas General Obligation Commercial Paper Notes, Series D-2

Road Refunded Notes

$42,170,000 Harris County, Texas General Obligation Commercial Paper Notes, Series C

$57,830,000 Harris County, Texas General Obligation Commercial Paper Notes, Series D-3

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APPENDIX A-1

AUDITED BASIC FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDED FEBRUARY 28, 2022

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HARRIS COUNTY, TEXAS

Basic Financial Statements For
The Fiscal Year Ended
February 28, 2022

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

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas (the "County") as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of February 28, 2022, and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units: Harris County Hospital District, Harris Center for Mental Health and IDD, Harris County Housing Finance Corporation, Harris County Industrial Development Corporation, and the Children's Assessment Center Foundation which represent 99.99% of the assets and revenues of the discretely presented component units as of February 28, 2022 and the respective changes in financial position for the year then ended. We also did not audit the financial statements of the County Clerk Registry and District Clerk Registry fiduciary funds reported in the aggregate fund information and the Harris County Sports & Convention Corporation and the Harris County Redevelopment Authority blended component units reported in the aggregate fund information and the governmental activities, collectively which represent 11.1% of the assets and 1% revenues of the aggregate remaining fund information and also .3% of the assets and .4% of the revenues of the governmental activities, as of February 28, 2022 and for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, aggregate remaining fund information and governmental activities for the above noted entities, is based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Deloitte & Touche LLP

August 25, 2022

This section of the Harris County, Texas (the "County") Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended February 28, 2022. Please read it in conjunction with the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at February 28, 2022 by $11,784,750,884. This is a decrease of $111,346,194 from the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $11,896,097,078.

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

(1) Net investment in capital assets of $11,129,081,839 includes land, improvements, buildings, infrastructure, intangible assets, construction in progress, and other capital assets, net of accumulated depreciation/amortization, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction of capital assets.
(2) Net position of $2,015,403,605 is restricted by constraints imposed from outside the County such as debt obligations, laws, or regulations, including restrictions related to Toll Road and Mobility funds.
(3) Unrestricted net position of negative $1,359,734,560 represents the portion available to meet ongoing obligations to citizens and creditors.

Governmental Fund Financial Statements

- As of February 28, 2022, County governmental funds reported combined fund balances of $3,009,623,441. This reflects an increase of $43,596,793 from the previous fiscal year mainly due to net transfers. The current year total consists of combined nonspendable fund balance of $44,197,595, restricted fund balance of $1,480,948,749, committed fund balance of $136,933,929, assigned fund balance of $56,831,745, and unassigned fund balances of $1,290,711,423 for fiscal year 2022.

- The General Fund is used to account for the general operations of the County, limited-tax permanent improvement debt service of the County, public improvement contingencies, and the mobility program. At the end of the fiscal year, the unassigned fund balance of the County's General Fund was $1,297,204,536. The General Fund had a nonspendable fund balance of $6,701,664, restricted fund balance of $781,834,387, committed fund balance of $73,236,166 and assigned fund balance of $56,831,745 at February 28, 2022.

- During the fiscal year, the Harris County Toll Road Authority transferred $254.0 million of surplus toll road revenue to the mobility and infrastructure funds which is accounted for within the General Fund and the Debt Service fund. Mobility and Infrastructure program monies are restricted by Section 284.0031 of the Texas Transportation Code for the study, design, construction, maintenance, repair or operation of roads, streets, highways, or other related facilities. These programs may not be used for the general operations of the County. The General Fund's cash and investment balance at February 28, 2022 includes $583 million that belongs to these 2 programs. Because of the legal restrictions imposed on the mobility and infrastructure programs, $544,327,360 of the fund balance in General Fund is restricted for mobility at February 28, 2022.

- The American Rescue Plan Act (ARPA) fund was considered a new major fund for fiscal year ended February 28, 2022. This fund is a special revenue fund and was used to support costs related to the COVID 19 pandemic. This fund had no effect on the fund balance of the County.

- The nonmajor governmental funds had total combined fund balances of $793,814,943 at February 28, 2022. Of this amount, $37,495,931 is nonspendable, $699,114,362 is restricted ($269,151,280 for special revenue funds, \$108,107,038 for debt service and \$321,856,044 for capital projects funds), \$63,697,763 is committed, and a negative \$6,493,113 is unassigned. These funds had an increase in their fund balance from prior year due to an increase in revenues.

Long-Term Debt

The County issues debt to finance an ongoing capital improvement program. During fiscal year 2021-22, the County issued \$531.3 million in commercial paper and \$444.3 million in refunding bonds. Note 8 to the financial statements provides details of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports 75 governmental funds, which in some cases are aggregated individual funds (e.g., grant funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single aggregated presentation.

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's fiduciary funds are comprised of 13 funds.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 44 of this report.

Required Supplementary Information for the County's General Fund budgetary schedule is presented herein. The County adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Also presented in this section are the Schedule of Funding Progress for Other Postemployment Benefits, the

Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions. Required supplementary information can be found beginning on page 109 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

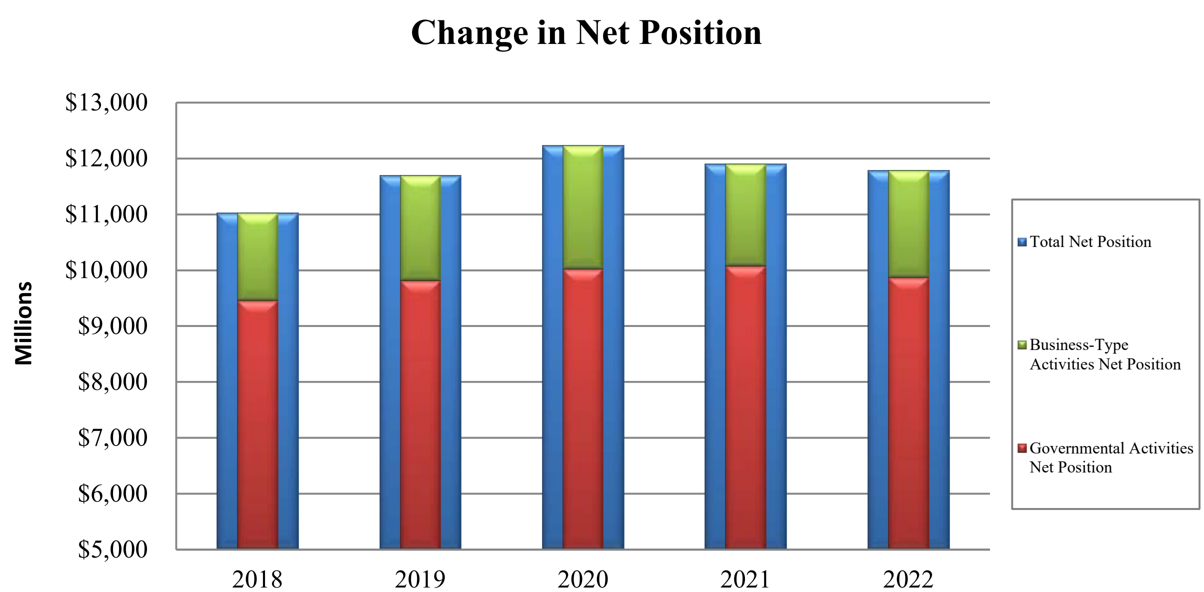
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $11,784,750,884 for fiscal year 2022 and $11,896,097,078 for fiscal year 2021. Expenses exceeded revenues during the current year, decreasing net position by $111,346,194.

Condensed Statement of Net Position
February 28, 2022
(Amounts in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 4,444,026	$ 1,429,450	$ 5,873,476
Capital assets	12,674,223	3,280,095	15,954,318
Total assets	17,118,249	4,709,545	21,827,794
Deferred outflows of resources	1,324,546	152,453	1,476,999
Current and other liabilities	1,042,719	222,445	1,265,164
Long-term liabilities (including current portion)	6,631,193	2,695,724	9,326,917
Total liabilities	7,673,912	2,918,169	10,592,081
Deferred inflows of resources	897,648	30,313	927,961
Net position:			
Net investment in capital assets	10,110,639	1,018,443	11,129,082
Restricted	1,157,776	857,628	2,015,404
Unrestricted	(1,397,180)	37,445	(1,359,735)
Total net position	$ 9,871,235	$ 1,913,516	$ 11,784,751

Condensed Statement of Net Position
February 28, 2021
(Amounts in thousands)
Primary Government

	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 3,931,904	$ 1,521,624	$ 5,453,528
Capital assets	12,509,935	3,208,580	15,718,515
Total assets	16,441,839	4,730,204	21,172,043
Deferred outflows of resources	1,337,381	164,781	1,502,162
Current and other liabilities	809,712	225,715	1,035,427
Long-term liabilities (including current portion)	6,685,919	2,793,920	9,479,839
Total liabilities	7,495,631	3,019,635	10,515,266
Deferred inflows of resources	207,766	55,076	262,842
Net position:			
Net investment in capital assets	10,067,771	952,718	11,020,489
Restricted	1,063,440	830,954	1,894,394
Unrestricted	(1,055,388)	36,602	(1,018,786)
Total net position	$ 10,075,823	$ 1,820,274	$ 11,896,097



The largest portion of the County's current fiscal year net position, $11,129,081,839, is invested in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another *portion* of the County's current fiscal year net position of negative $1,359,734,560, represents unrestricted net position, which is normally available to meet the County's ongoing unrestricted obligations to citizens and creditors. The remaining balance of net position represents resources that are subject to external restrictions on how they may be used. A large portion of the restricted net position, $492,277,863, is for use for the ongoing obligations of the Toll Road Authority. Restricted net position of $544,327,360 is related to the mobility program and is restricted because of legal constraints imposed by the Texas Transportation Code; these funds can only be used for mobility purposes. Other restrictions include $577,499,273 for debt service payments, $73,985,169 for capital projects, $74,463,255 for operating reserve per bond covenants, and $252,850,685 for net pension asset. At the end of the current fiscal year, the County reported positive net position in two categories of net position for its governmental activities and in all categories of its business-type activities.

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

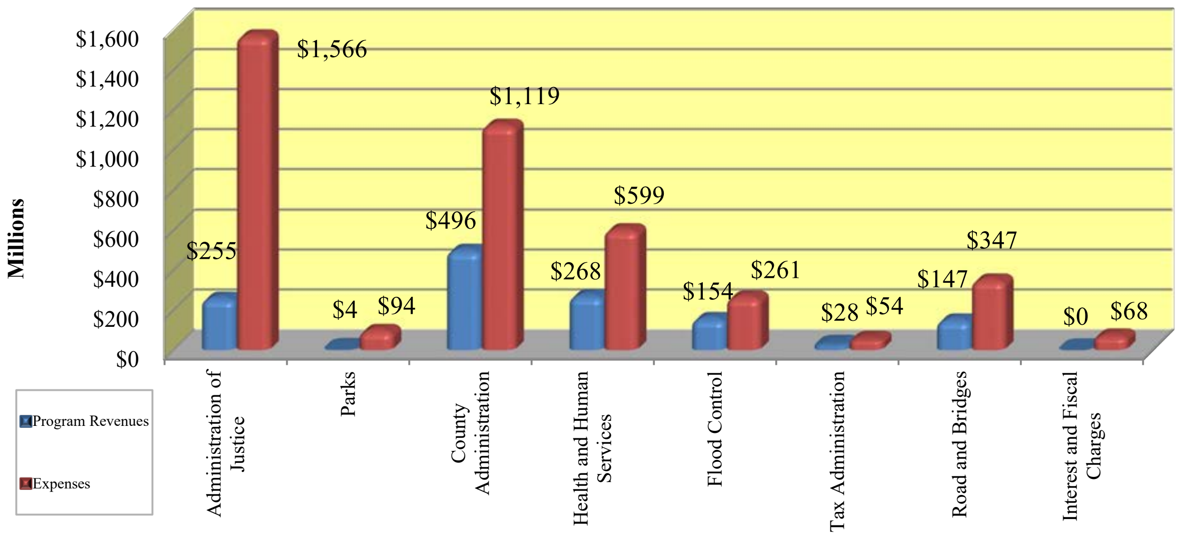
Condensed Statement of Activities
(In Thousands)
For the Year Ended February 28, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for Services	$ 310,921	$ 822,578	$ 1,133,499
Operating Grants and Contributions	739,588	-	739,588
Capital Grants and Contributions	300,869	-	300,869
General revenues:			
Taxes-levied for General Purposes	1,856,348	-	1,856,348
Taxes-levied for Debt Services	250,534	-	250,534
Hotel Occupancy Tax	41,910	-	41,910
Investment Earnings	6,052	3,294	9,346
Miscellaneous	144,469	2,580	147,049
Total revenues	3,650,691	828,452	4,479,143
EXPENSES			
Administration of Justice	1,565,921	-	1,565,921
Parks	94,277	-	94,277
County Administration	1,118,979	-	1,118,979
Health and Human Services	598,997	-	598,997
Flood Control	261,280	-	261,280
Tax Administration	54,356	-	54,356
Roads and Bridges	347,203	-	347,203
Interest and Fiscal Charges	68,221	-	68,221
Toll Road	-	467,943	467,943
Parking Facilities	-	6,342	6,342
Sheriff's Commissary	-	6,970	6,970
Total expenses	4,109,234	481,255	4,590,489
(Deficiency)Excess before other items and transfers	(458,543)	347,197	(111,346)
Transfers	253,955	(253,955)	-
Change in net position	(204,588)	93,242	(111,346)
Net position - beginning	10,075,823	1,820,274	11,896,097
Net position - ending	$ 9,871,235	$ 1,913,516	$ 11,784,751

Condensed Statement of Activities
(In Thousands)
For the Year Ended February 28, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for Services	$ 268,631	$ 562,117	$ 830,748
Operating Grants and Contributions	734,817	-	734,817
Capital Grants and Contributions	342,260	-	342,260
General revenues:			
Taxes-levied for General Purposes	1,781,841	-	1,781,841
Taxes-levied for Debt Services	275,216	-	275,216
Hotel Occupancy Tax	28,171	-	28,171
Investment Earnings	123,292	11,333	134,625
Miscellaneous	31,039	1,167	32,206
Total revenues	3,585,267	574,617	4,159,884
EXPENSES			
Administration of Justice	1,704,309	-	1,704,309
Parks	98,979	-	98,979
County Administration	1,101,709	-	1,101,709
Health and Human Services	374,695	-	374,695
Flood Control	292,764	-	292,764
Tax Administration	52,894	-	52,894
Roads and Bridges	381,644	-	381,644
Interest and Fiscal Charges	72,307	-	72,307
Toll Road	-	406,470	406,470
Parking Facilities	-	4,828	4,828
Sheriff's Commissary	-	6,094	6,094
Total expenses	4,079,301	417,392	4,496,693
(Deficiency)Excess before other items and transfers	(494,034)	157,225	(336,809)
Transfers	545,148	(545,148)	-
Change in net position	51,114	(387,923)	(336,809)
Net position - beginning	10,024,709	2,208,197	12,232,906
Net position - ending	$ 10,075,823	$ 1,820,274	$ 11,896,097

Program Revenues and Expenses - Governmental Activities

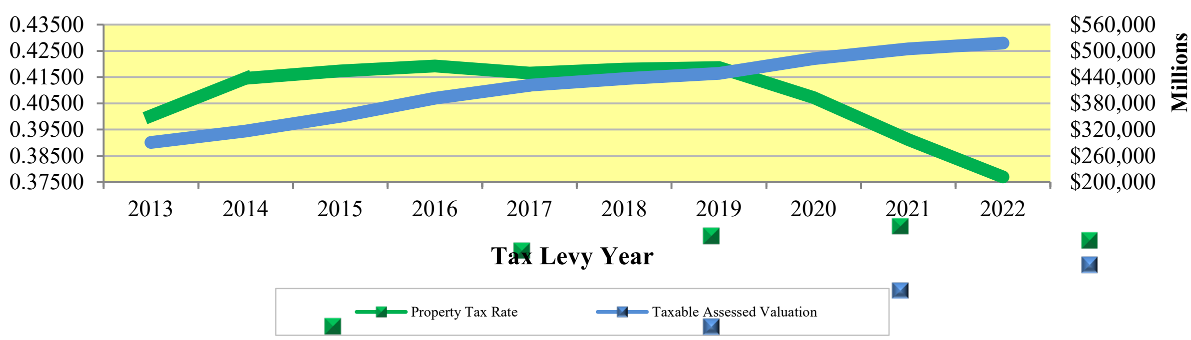


Revenues

For fiscal year ended February 28, 2022, revenues for the primary government totaled $4,479,142,642. The revenues are categorized by activity type: governmental activities totaled $3,904,645,894 and business-type activities totaled $574,496,748.

Property and Hotel Occupancy Taxes of $2,148,791,881 were the largest revenue source for governmental activities and 48% of total revenues, which is a $63.6M increase from prior year taxes of $2,085,227,952. The tax rate was $.37693 per $100 of assessed value for fiscal year 2022. The taxable assessed value increased in fiscal year 2022 to $517,754,852,000 from the taxable assessed value in the prior fiscal year of $504,850,540,000.

Historical Comparison of the Property Tax Rate versus Taxable Assessed Valuation

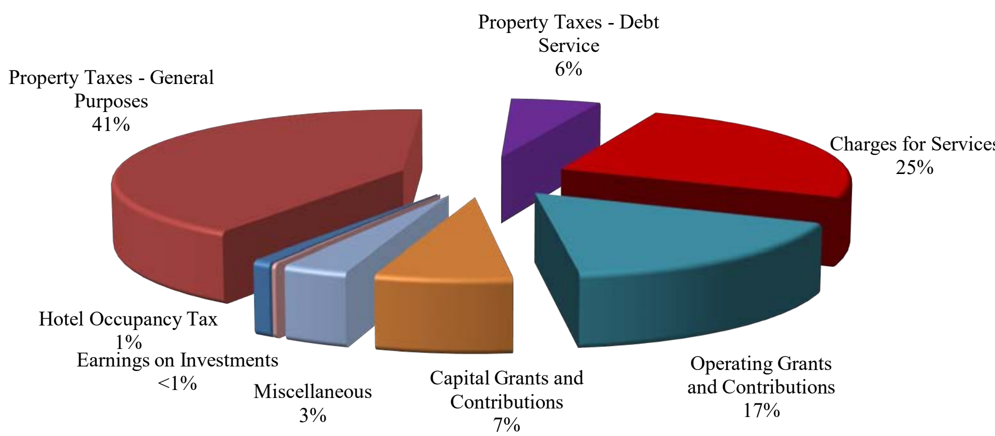


Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were $2,173,955,939 or 49% of total revenues, which increased $266,131,316 compared to the prior year. The largest portion of program revenues is Charges for Services of $1,133,498,865 (25% of total revenues). Of that $310,921,222 is from governmental activities, which includes fees collected by the tax collector, automobile registration, and charges for patrol services. The business-type Charges for Services were

$822,577,643, an increase of $260,460,813, due to the increase in travel demand in fiscal year 2022. The other portions of program revenues are Operating Grants and Contributions of $739,587,885 (17% of total revenues) and Capital Grants and Contributions of $300,869,189 (7% of total revenues). Operating Grants and Contributions increased by $4,771,295 from the prior year.

General revenues are revenues that cannot be assigned to a specific function. They consist of taxes (previously discussed), Earnings on Investments of $9,346,004 (less than 1% of total revenues), and Miscellaneous income of $147,048,818 (3% of total revenues).

REVENUES BY SOURCE
Year ended February 28, 2022



Expenses

For fiscal year ended February 28, 2022, expenses for the primary government totaled $4,590,488,836. These expenses are divided by activity type: governmental activities of $4,109,233,906 and business-type activities of $481,254,930.

The County's largest governmental activities function is Administration of Justice. The main components of this function are the civil and criminal courts and the Sheriff's Office. Total expenses for this activity were $1,565,921,142 and were 34% of total expenses. The expenses can be attributed to salaries, fringe benefits, costs of housing and trial of inmates, fuel costs for patrol vehicles, and other related items.

The expenses for the Roads and Bridges governmental activities function were $347,202,786 or 8% of total expenses. The County owns and maintains over six thousand miles of roads and bridges.

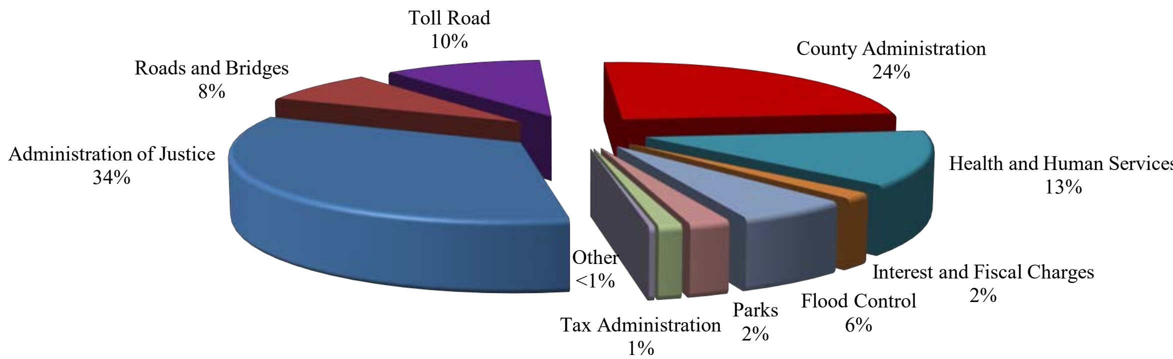
The County Administration governmental activities function expenses were $1,118,979,080 or 24% of total expenses. These expenses are attributable to costs and maintenance of the administrative offices of the County.

The Toll Road business-type activities function expenses were $467,942,896 or 10% of total expenses. This expense increased $61,472,752 from the prior year. Expenses for other business-type activities were $13,312,034 and were less than 1% of total expenses. These activities are for Parking Facilities and Sheriff's Commissary.

The Interest and Fiscal Charges governmental activities functional expenses of $68,220,893 constituted 2% of total expenses and decreased $4,086,450 from prior year.

The remaining governmental activities functions are Health and Human Services with expenses of $598,997,096 or 13%, which includes operation of the County libraries, Flood Control with expenses of $261,280,398 or 6%, Parks with expenses of $94,276,569 or 2%, and Tax Administration with expenses of $54,355,942 or 1%.

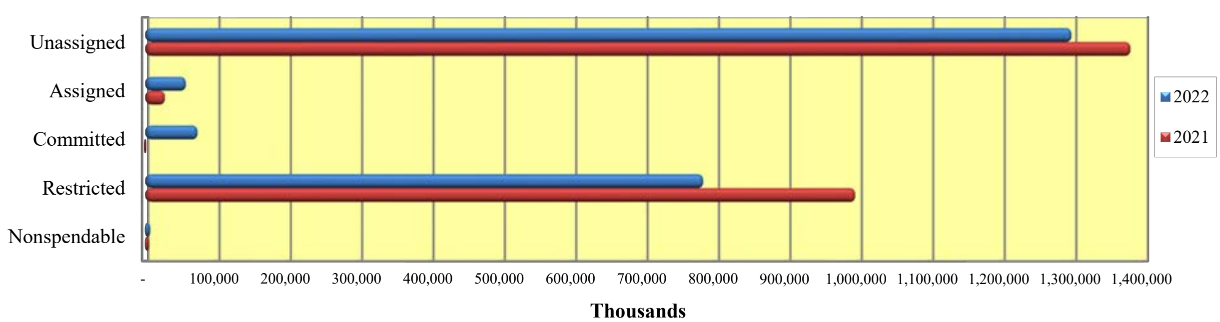
EXPENSES BY FUNCTION
Year ended February 28,2022



FINANCIAL ANALYSIS OF MAJOR FUNDS

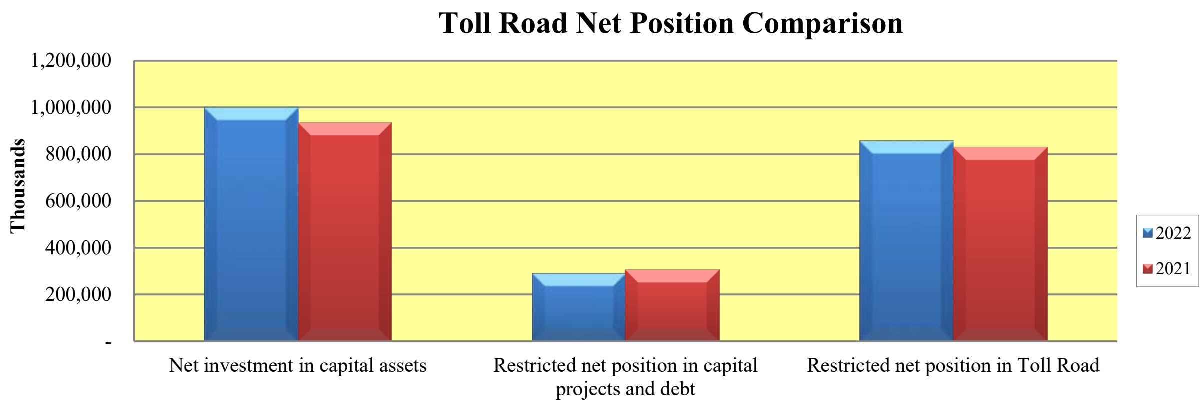
The General Fund is the County's chief operating fund and major governmental fund. For the year ended February 28, 2022, the General Fund reported a net fund balance decrease of $191,194,164 largely due to an increase in expenditures. The General Fund total fund balance is $2,215,808,498 for the fiscal year of which $6,701,664 is nonspendable, $781,834,387 is restricted, $73,236,166 is committed, $56,831,745 is assigned, and the remaining $1,297,204,536 is unassigned and available for the County's current and future needs.

General Fund Components of Fund Balance



As of February 28, 2022, the County added a new major fund (ARPA fund) and removed the CARES fund as a major fund due to the expense fluctuations in each fund. ARPA is a special revenue fund and was received by the County due to the COVID 19 pandemic. This fund had no effect on the County's overall fund balance.

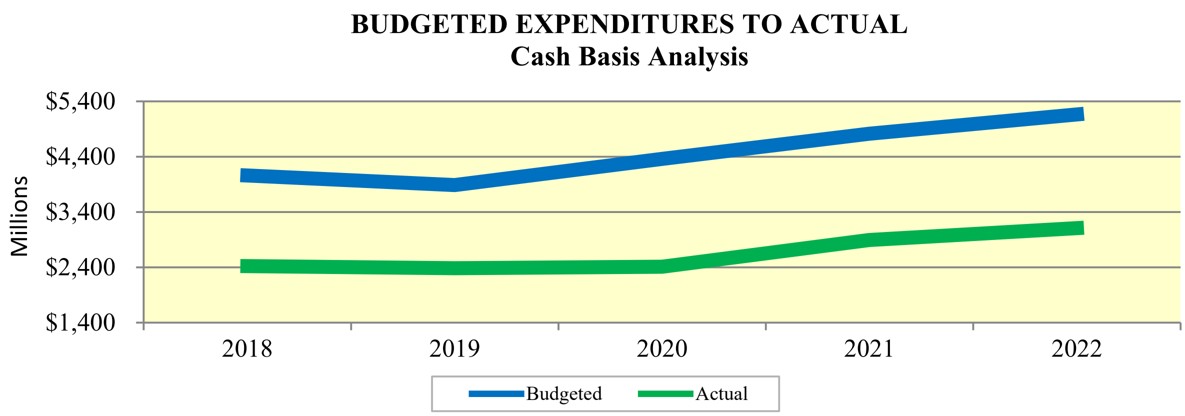
The Toll Road Fund was the County's only major proprietary fund at February 28, 2022. This fund is used to account for the acquisition, operation, and maintenance of County toll roads. As of February 28, 2022, net position net investment in capital assets was $1,000,541,401, and restricted net position was $857,628,373.



GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget reflected an increase of $513,131,450 in available resources. This increase is primarily due to adjustments for transfers in, miscellaneous income, and the issuance of refunding bonds. Differences between the original budget and the final amended budget resulted in $502,131,449 increase in appropriations; this increase is due to additional revenue certifications being allocated for use.

During the year, actual available resources exceeded budgetary estimates by $231,482,316. This is primarily due to an increase in tax revenues. Actual expenditures were $2,054,981,235 less than budgetary estimates. This difference is primarily due to a decrease in expenditures as a result of the carry forward of budget for capital projects for roads and bridges, maintenance funds, and mobility funds. Budget variances are not expected to impact future services or liquidity.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's capital assets, net of accumulated depreciation/amortization, for its governmental and business-type activities as of February 28, 2022, was $15,954,318,359 an increase of $235,803,395 from capital assets reported as of February 28, 2021 of $15,718,514,964. These capital assets include land, construction in progress, land improvements, buildings, park improvements and facilities, infrastructure, equipment, other tangible assets, as well as intangible assets such as easements and the County's license agreement to operate toll facilities on the Katy Freeway.

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

- The County has several ongoing capital improvement projects, including replacement facilities for many of the Harris County Sheriff's operations and renovations to other buildings as well as improvements to County roads.

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

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

	Capital Assets	
	Balance February 28, 2022	**Balance February 28, 2021**
Governmental Activities:		
Land	$ 4,831,165,032	$ 4,696,102,898
Construction in progress	916,163,323	689,168,391
Intangible assets - water rights	2,400,000	2,400,000
Intangible assets - software & licenses	161,425,072	145,585,713
Land improvements	21,992,264	19,183,103
Infrastructure	12,326,090,866	12,237,138,300
Park facilities	244,263,978	229,453,490
Flood control projects	1,071,953,355	1,060,087,752
Buildings	2,130,358,011	2,098,226,523
Equipment	502,756,920	485,774,922
	22,208,568,821	21,663,121,092
Less: Accumulated depreciation	(9,534,345,172)	(9,153,185,952)
Total governmental activities	$ 12,674,223,649	$ 12,509,935,140

	Balance February 28, 2022	**Balance February 28, 2021**
Business-type Activities:		
Land	$ 387,936,631	$ 387,290,775
Construction in progress	1,453,260,834	1,627,336,688
Intangible assets - license agreement	237,500,000	237,500,000
Land improvements	21,266,409	21,266,409
Infrastructure	2,956,613,883	2,607,255,598
Other tangible assets	8,937,074	8,937,074
Buildings	43,615,443	43,615,443
Equipment	72,776,687	79,625,055
	5,181,906,961	5,012,827,042
Less: Accumulated depreciation	(1,901,812,251)	(1,804,247,218)
Total business-type activities	$ 3,280,094,710	$ 3,208,579,824

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

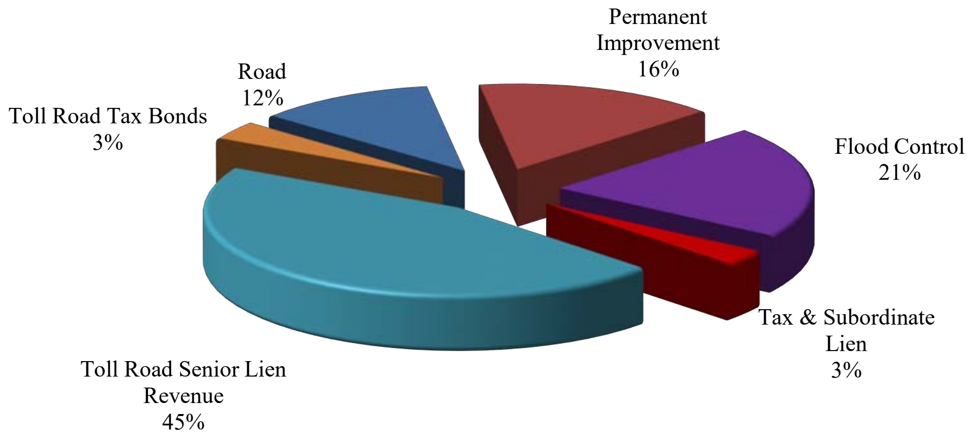
Long-term Liabilities. At February 28, 2022, the County had total long-term liabilities outstanding of $9,326,916,304. County officials, citizens and investors will find the ratio of bonded debt to taxable value of property and the amount of bonded debt per capita as useful indicators of the County's debt position. General bonded debt represented 0.50% and 0.45% of taxable value of property for fiscal year 2022 and 2021 respectively. Debt per capita was $1,121 and $1,099 for fiscal year 2022 and 2021, respectively.

	Long-term Liabilities	
	Outstanding at February 28, 2022	Outstanding at February 28, 2021
Governmental Activities:		
Bonds payable	$ 2,593,542,950	$ 2,280,185,194
Commercial paper payable	191,525,000	297,792,000
Compensatory time payable	50,843,875	46,015,400
Judgments payable	1,800,000	5,750,000
Loan payable	35,885,505	27,921,034
Net OPEB Liability	3,752,431,300	3,325,434,127
Net Pension Liability	-	699,483,726
Pollution remediation obligation	5,164,136	3,337,466
Total governmental activities	$ 6,631,192,766	$ 6,685,918,947
Business-type Activities:		
Bonds payable	$ 2,484,999,345	$ 2,618,447,158
Compensatory time payable	1,523,453	1,377,778
Net OPEB Liability	169,902,366	148,055,587
Net Pension Liability	-	25,706,453
Hedging derivative instruments	39,298,374	-
Pollution remediation obligation	-	333,000
Total business-type activities	$ 2,695,723,538	$ 2,793,919,976

The County has a continuing goal to sustain the County's debt rating. As of February 28, 2022, the bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. assigned the County long term bond ratings of Aaa, AAA, and AAA, respectively.

Please refer to Note 8 to the financial statements for further information on the County's long-term liabilities. In the current fiscal year, the net pension liability changed to a net pension asset. See Note 9 and Note 10 to the financial statements for further information on the County's Net Pension Liability/Asset and Net OPEB Liability.

Bonds Payable by Type as of February 28, 2022



ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2021 was approximately 6.5% (not seasonally adjusted). This is a decrease from the prior year rate of 8.0%. The state unemployment rate for calendar year 2021 was 5.7% (not seasonally adjusted).

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
February 28, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,247,023,389	$ 513,976,569	$ 1,760,999,958	$ 1,167,161,334
Investments	1,869,196,415	521,498,432	2,390,694,847	647,711,399
Taxes receivable, net	97,398,539	-	97,398,539	26,221,000
Accounts receivable, net	467,814,778	616,183	468,430,961	142,887,628
Accrued interest receivable	3,469,030	1,867,442	5,336,472	-
Lease receivable	194,700	-	194,700	-
Other receivables, net	102,726,205	75,742,799	178,469,004	268,458,688
Internal balances	8,156,104	(8,156,104)	-	-
Inventories, prepaids and other assets	50,511,731	5,788,957	56,300,688	486,513,845
Restricted:				
Cash and cash equivalents	268,981,903	71,175,088	340,156,991	135,743,245
Investments	77,471,868	238,576,992	316,048,860	-
Notes receivable	5,989,110	32,296	6,021,406	-
Net pension assets - restricted	245,091,833	8,331,301	253,423,134	-
Capital assets:				
Land and construction in progress	5,747,328,355	1,840,526,897	7,587,855,252	189,464,717
Intangible assets, net of amortization (when applicable)	68,716,916	163,566,250	232,283,166	-
Other capital assets, net of depreciation	6,858,178,378	1,276,001,563	8,134,179,941	459,260,741
Total assets	17,118,249,254	4,709,544,665	21,827,793,919	3,523,422,597
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	16,557,563	55,296,226	71,853,789	7,554,000
Pension contributions after measurement date	28,098,780	934,035	29,032,815	-
Difference in projected and actual earnings on pension assets	6,899,110	-	6,899,110	-
Changes in OPEB assumptions and difference between expected and actual experience	990,120,620	47,297,547	1,037,418,167	-
Changes in pension assumptions	282,869,581	9,626,687	292,496,268	-
Resources related to pension	-	-	-	142,638,000
Unamortized costs on swap liability	-	39,298,374	39,298,374	10,020,000
Total deferred outflows of resources	1,324,545,654	152,452,869	1,476,998,523	160,212,000
LIABILITIES				
Vouchers payable and other current liabilities	611,778,544	109,681,727	721,460,271	319,193,631
Due to other governmental units	10,097,401	26,953,287	37,050,688	-
Other liabilities	-	-	-	472,511,000
Unearned revenue	379,026,752	85,810,268	464,837,020	18,917,664
Accrued interest	41,816,425	-	41,816,425	375,000
Long-term liabilities:				
Due within one year	241,512,710	91,394,743	332,907,453	13,146,936
Due in more than one year	6,389,680,056	2,604,328,795	8,994,008,851	929,771,244
Total liabilities	7,673,911,888	2,918,168,820	10,592,080,708	1,753,915,475
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience and earnings	897,648,154	30,312,696	927,960,850	-
Resources related to pension	-	-	-	88,153,000
Resources related to OPEB	-	-	-	130,542,000
Total deferred inflows of resources	897,648,154	30,312,696	927,960,850	218,695,000
NET POSITION				
Net investment in capital assets	10,110,639,352	1,018,442,487	11,129,081,839	293,374,642
Restricted for:				
Debt service	302,466,595	275,032,678	577,499,273	33,329,000
Capital projects	58,130,592	15,854,577	73,985,169	45,000,000
Operating reserve per bond covenants	-	74,463,255	74,463,255	-
Other	252,850,685	-	252,850,685	42,631,041
Mobility program	544,327,360	-	544,327,360	-
Toll Road	-	492,277,863	492,277,863	-
Unrestricted	(1,397,179,718)	37,445,158	(1,359,734,560)	1,296,689,439
Total net position	$ 9,871,234,866	$ 1,913,516,018	$ 11,784,750,884	$ 1,711,024,122

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Primary government:								
Governmental activities:								
Administration of Justice	$ 1,565,921,142	$ 159,341,422	$ 85,594,650	$ 10,486,196	$ (1,310,498,874)	$ -	$ (1,310,498,874)	
Parks	94,276,569	3,277,171	261,527	-	(90,737,871)	-	(90,737,871)	
County Administration	1,118,979,080	64,702,207	396,588,681	34,701,183	(622,987,009)	-	(622,987,009)	
Health and Human Services	598,997,096	10,873,471	256,760,787	-	(331,362,838)	-	(331,362,838)	
Flood Control	261,280,398	1,136,344	-	152,782,878	(107,361,176)	-	(107,361,176)	
Tax Administration	54,355,942	28,368,443	-	-	(25,987,499)	-	(25,987,499)	
Road and Bridges	347,202,786	43,222,164	382,240	102,898,932	(200,699,450)	-	(200,699,450)	
Interest and Fiscal Charges	68,220,893	-	-	-	(68,220,893)	-	(68,220,893)	
Total governmental activities	4,109,233,906	310,921,222	739,587,885	300,869,189	(2,757,855,610)	-	(2,757,855,610)	
Business-type activities:								
Toll Road	467,942,896	808,931,881	-	-	-	340,988,985	340,988,985	
Parking Facilities	6,342,209	4,352,840	-	-	-	(1,989,369)	(1,989,369)	
Sheriff's Commissary	6,969,825	9,292,922	-	-	-	2,323,097	2,323,097	
Total business-type activities	481,254,930	822,577,643	-	-	-	341,322,713	341,322,713	
Total primary government	$ 4,590,488,836	$ 1,133,498,865	$ 739,587,885	$ 300,869,189	(2,757,855,610)	341,322,713	(2,416,532,897)	
Component units:								
Harris Center for Mental Health & IDD (formerly MHMRA)	$ 271,793,687	$ 83,722,308	$ 181,209,032	$ -				$ (6,862,347)
Hospital District	4,245,488,000	822,096,000	2,784,914,000	45,900,000				(592,578,000)
Other component units	10,582,092	2,337,565	5,657,957	-				(2,586,570)
Total component units	$ 4,527,863,779	$ 908,155,873	$ 2,971,780,989	$ 45,900,000				(602,026,917)
General revenues:								
Taxes:								
Property taxes levied for General Purposes					1,856,348,369	-	1,856,348,369	814,846,000
Property taxes levied for Debt Service					250,533,723	-	250,533,723	-
Hotel Occupancy Tax					41,909,789	-	41,909,789	-
Earnings on Investments					6,052,358	3,293,646	9,346,004	9,594,940
Miscellaneous					144,468,444	2,580,374	147,048,818	81,889,215
Transfers					253,954,915	(253,954,915)	-	-
Total general revenues and other items					2,553,267,598	(248,080,895)	2,305,186,703	906,330,155
Change in net position					(204,588,012)	93,241,818	(111,346,194)	304,303,238
Net position - beginning					10,075,822,878	1,820,274,200	11,896,097,078	1,406,720,884
Net position - ending					$ 9,871,234,866	$ 1,913,516,018	$ 11,784,750,884	$ 1,711,024,122

See notes to the financial statements.

HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2022

	General	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash and cash equivalents	$ 592,942,275	$ 222,215,347	$ 358,766,318	$ 1,173,923,940
Investments	1,477,995,373	89,838,615	193,623,026	1,761,457,014
Receivables:				
Taxes, net	79,908,986	-	17,489,553	97,398,539
Accounts, net	20,456,392	26,440,492	415,352,650	462,249,534
Accrued interest	2,598,238	-	711,202	3,309,440
Lease	194,700	-	-	194,700
Other, net	69,926,313	-	13,932,644	83,858,957
Due from other funds	143,193,796	-	203,905,509	347,099,305
Prepaids and other assets	4,315,892	-	42,212,246	46,528,138
Inventories	2,015,772	-	-	2,015,772
Advances to other funds	370,000	-	2,130,000	2,500,000
Restricted cash and cash equivalents	223,768,638	-	45,213,265	268,981,903
Restricted investments	7,599,707	-	69,872,161	77,471,868
Notes receivable	-	-	5,989,110	5,989,110
Total assets	2,625,286,082	338,494,454	1,369,197,684	4,332,978,220
LIABILITIES				
Vouchers payable	120,500,458	26,668,862	129,301,893	276,471,213
Accrued payroll	204,517,537	-	13,821,403	218,338,940
Retainage payable	4,877,418	-	18,036,439	22,913,857
Due to other funds	24,677,713	40,704	308,540,605	333,259,022
Due to other governmental units	-	-	10,097,401	10,097,401
Other liabilities	151,461	-	-	151,461
Customer Deposits	-	-	15,892,961	15,892,961
Advances from other funds	-	-	2,500,000	2,500,000
Unearned revenue	7,496,423	311,784,888	60,111,935	379,393,246
Total liabilities	362,221,010	338,494,454	558,302,637	1,259,018,101
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	37,324,803	-	9,426,897	46,751,700
Unavailable revenue-other	9,931,771	-	7,653,207	17,584,978
Total deferred inflows of resources	47,256,574	-	17,080,104	64,336,678
FUND BALANCES				
Nonspendable	6,701,664	-	37,495,931	44,197,595
Restricted	781,834,387	-	699,114,362	1,480,948,749
Committed	73,236,166	-	63,697,763	136,933,929
Assigned	56,831,745	-	-	56,831,745
Unassigned	1,297,204,536	-	(6,493,113)	1,290,711,423
Total fund balances	2,215,808,498	-	793,814,943	3,009,623,441
Total liabilities, deferred inflows of resources, and fund balances	$ 2,625,286,082	$ 338,494,454	$ 1,369,197,684	$ 4,332,978,220

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
February 28, 2022

Total fund balances for governmental funds		$ 3,009,623,441
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets (excluding internal service fund capital assets) consist of:		
Land	$ 4,830,915,032	
Construction in progress	915,182,902	
Intangible assets - water rights	2,400,000	
Intangible assets - software and licenses, net of $95,108,156 accumulated amortization	66,316,916	
Land improvements, net of $6,961,044 accumulated depreciation	15,031,220	
Infrastructure, net of $7,532,608,690 accumulated depreciation	4,793,482,176	
Parks, net of $101,714,839 accumulated depreciation	142,549,139	
Flood control projects, net of $579,304,046 accumulated depreciation	492,649,309	
Buildings, net of $864,863,616 accumulated depreciation	1,264,025,827	
Equipment and vehicles, net of $286,828,866 accumulated depreciation	133,967,079	
		12,656,519,600
Long-term liabilities applicable to Harris County's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - and deferred outflows and inflows are reported in the statement of net position. Balances (excluding internal service fund liabilities, where applicable) as of February 28, 2022 were:		
Deferred charge on refundings	16,557,563	
Deferred outflow - Pension contributions after measurement date	28,098,780	
Deferred outflow - Difference in actual and projected earnings on pension assets	6,899,110	
Deferred outflow - Changes in pension assumptions	282,869,581	
Deferred outflow - Changes in OPEB assumptions	990,120,620	
Accrued interest on bonds and loans	(41,816,425)	
Bonds payable	(2,593,542,950)	
Judgments payable	(1,800,000)	
Loan payable	(35,885,505)	
Interest	46,617	
Commercial paper payable	(191,525,000)	
Unearned Revenue	554,423	
Compensated absences	(50,843,875)	
Net OPEB liability	(3,752,431,300)	
Net pension asset	245,091,833	
Pollution remediation obligation	(5,279,529)	
Deferred inflow - Difference in expected and actual pension experience	(897,648,154)	
		(6,000,534,211)
Internal service funds are used by the County. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. Internal service fund net position is:		141,120,524
Some of the County's assets are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		64,505,512
Total net position of governmental activities		$ 9,871,234,866

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 28, 2022

	General	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,914,657,606	$ -	$ 203,836,325	$ 2,118,493,931
Charges for services	267,610,581	-	43,156,554	310,767,135
User fees	1,142,117	-	-	1,142,117
Fines and forfeitures	10,861,892	-	-	10,861,892
Lease revenue	964,262	-	1,065,649	2,029,911
Intergovernmental	72,293,757	172,409,668	685,359,563	930,062,988
Earnings on investments	2,023,394	111,106	1,088,909	3,223,409
Miscellaneous	69,849,974	-	78,187,671	148,037,645
Total revenues	2,339,403,583	172,520,774	1,012,694,671	3,524,619,028
EXPENDITURES				
Current operating:				
Administration of Justice	1,339,326,382	3,055,756	99,446,024	1,441,828,162
Parks	66,199,273	-	14,130,835	80,330,108
County Administration	552,841,157	121,060,107	293,617,935	967,519,199
Health and Human Services	241,734,244	48,404,911	288,352,429	578,491,584
Flood Control	-	-	221,713,692	221,713,692
Tax Administration	49,451,240	-	1,172,736	50,623,976
Roads and Bridges	83,330,258	-	1,434,264	84,764,522
Capital outlay	103,198,453	-	352,464,241	455,662,694
Debt service:				
Principal retirement	90,775,000	-	71,605,000	162,380,000
Payment on loans	-	-	1,519,019	1,519,019
Bond issuance costs	643,317	-	2,022,244	2,665,561
Interest and fiscal charges	38,754,434	-	58,893,668	97,648,102
Total expenditures	2,566,253,758	172,520,774	1,406,372,087	4,145,146,619
Excess (deficiency) of revenues under expenditures	(226,850,175)	-	(393,677,416)	(620,527,591)
OTHER FINANCING SOURCES (USES)				
Transfers in	280,519,302	-	187,446,037	467,965,339
Transfers out	(98,390,559)	-	(119,551,523)	(217,942,082)
Refunding bonds issued	127,390,000	-	316,860,000	444,250,000
Premium on bonds issued	27,270,768	-	64,195,167	91,465,935
Commercial paper issued	-	-	531,333,000	531,333,000
Payments to defease commerical paper	(297,300,000)	-	(340,300,000)	(637,600,000)
Payment to escrow agent	(3,833,500)	-	(17,568,175)	(21,401,675)
Proceeds from sale of capital assets	-	-	6,053,867	6,053,867
Total other financing sources (uses)	35,656,011	-	628,468,373	664,124,384
Net changes in fund balances	(191,194,164)	-	234,790,957	43,596,793
Fund balances, beginning	2,407,002,662	-	559,023,986	2,966,026,648
Fund balances, ending	$ 2,215,808,498	$ -	$ 793,814,943	$ 3,009,623,441

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2022

Net change in fund balances - total governmental funds		$ 43,596,793
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of $455,559,973 exceeded depreciation of $389,781,495 in the current period.		65,881,199
Capital asset donations		87,405,022
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Debt issued:		
Bonds	$ (444,250,000)	
Bond premiums	(91,465,935)	
Commercial paper	(531,333,000)	
Repayments:		
To paying agent for bond principal	162,380,000	
To refunding bond escrow agent	21,401,675	
Defeasance of commercial paper	637,600,000	
Loans	16,031,264	
Refunding interest expense	(496,675)	
Net adjustment		(230,132,671)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues.		
Compensated absences	(5,005,275)	
Judgments payable	3,950,000	
Net OPEB liability	(377,872,281)	
Net pension asset	196,424,467	
Pollution remediation obligation	(3,052,315)	
Amortization of software license	(8,714,670)	
Amortization of debt premium	42,114,980	
Accretion of capital appreciation bond interest	(3,041,801)	
Amortization of advanced refunding difference	(3,805,097)	
Accrued interest on debt	(5,525,320)	
Combined adjustment		(164,527,312)
Internal service funds are used by the County. The net revenue of the internal service funds are reported with governmental activities.		(40,027,229)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		32,061,919
The net effect of disposal of capital assets is to decrease net position.		(533,881)
Other		1,688,148
Change in net position of governmental activities		$ (204,588,012)

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
February 28, 2022

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 490,058,266	$ 23,918,303	$ 513,976,569	$ 73,099,448
Investments	507,251,708	14,246,724	521,498,432	107,739,401
Receivables, net	41,516	574,667	616,183	5,565,244
Accrued interest receivable	1,849,723	17,719	1,867,442	112,973
Other receivable, net	75,264,502	478,297	75,742,799	18,867,248
Due from other funds	-	457,050	457,050	3,894,729
Due from other units	-	-	-	1,453
Prepaids and other assets	1,068,076	-	1,068,076	911,180
Inventories	4,720,881	-	4,720,881	1,584,858
Total current assets	1,080,254,672	39,692,760	1,119,947,432	211,776,534
Noncurrent assets:				
Restricted cash and cash equivalents	71,175,088	-	71,175,088	-
Restricted investments	238,576,992	-	238,576,992	-
Notes receivable	32,296	-	32,296	-
Net Pension Asset	8,331,301	-	8,331,301	-
Capital assets:				
Land and construction in progress	1,836,563,299	3,963,598	1,840,526,897	250,000
License agreement, net of amortization	163,566,250	-	163,566,250	-
Other capital assets, net of depreciation	1,262,064,075	13,937,488	1,276,001,563	17,454,049
Total noncurrent assets	3,580,309,301	17,901,086	3,598,210,387	17,704,049
Total assets	4,660,563,973	57,593,846	4,718,157,819	229,480,583
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	55,296,226	-	55,296,226	-
Pension contributions after measurement date	934,035	-	934,035	-
Changes of pension assumptions	9,626,687	-	9,626,687	-
Changes of OPEB assumptions	47,297,547	-	47,297,547	-
Unamortized costs on swap liability	39,298,374	-	39,298,374	-
Total deferred outflows of resources	152,452,869	-	152,452,869	-
LIABILITIES				
Current liabilities:				
Vouchers payable	62,591,758	2,087,093	64,678,851	11,736,350
Accrued payroll and compensatory time	5,481,660	98,654	5,580,314	1,045,544
Retainage payable	39,231,396	31,635	39,263,031	-
Estimated outstanding claims	-	-	-	35,573,431
Incurred but not reported claims	-	-	-	29,306,245
Customer deposits	159,531	-	159,531	-
Due to other funds	8,613,154	-	8,613,154	10,108,578
Due to other governmental units	26,953,287	-	26,953,287	-
Unearned revenue	85,795,989	14,279	85,810,268	187,929
Current portion of long-term liabilities	91,394,743	-	91,394,743	233,149
Total current liabilities	320,221,518	2,231,661	322,453,179	88,191,226
Noncurrent liabilities:				
Bonds payable	2,396,660,505	-	2,396,660,505	-
Compensatory time payable	757,609	15,941	773,550	168,833
Net OPEB liability	167,596,366	-	167,596,366	-
Hedging derivative instruments	39,298,374	-	39,298,374	-
Total noncurrent liabilities	2,604,312,854	15,941	2,604,328,795	168,833
Total liabilities	2,924,534,372	2,247,602	2,926,781,974	88,360,059
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	30,312,696	-	30,312,696	-
Total deferred inflows of resources	30,312,696	-	30,312,696	-
NET POSITION				
Net investment in capital assets	1,000,541,401	17,901,086	1,018,442,487	17,704,049
Restricted for:				
Debt service	275,032,678	-	275,032,678	-
Capital projects	15,854,577	-	15,854,577	-
Operating reserve per bond covenants and other purposes	74,463,255	-	74,463,255	-
Toll Road	492,277,863	-	492,277,863	-
Unrestricted	-	37,445,158	37,445,158	123,416,475
Total net position	$ 1,858,169,774	$ 55,346,244	$ 1,913,516,018	$ 141,120,524

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Year Ended February 28, 2022

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Toll revenues	$ 808,931,881	$ -	$ 808,931,881	$ -
Intergovernmental	-	-	-	2,570,417
Charges to departments	-	-	-	407,368,432
Sales	-	8,930,716	8,930,716	-
User fees	-	4,352,840	4,352,840	9,252,337
Miscellaneous	-	362,206	362,206	-
Total operating revenues	808,931,881	13,645,762	822,577,643	419,191,186
OPERATING EXPENSES				
Salaries	74,372,273	1,223,339	75,595,612	12,684,454
Materials and supplies	26,143,034	1,598,912	27,741,946	5,455,223
Services and fees	164,090,917	9,446,090	173,537,007	14,382,277
Utilities	3,267,504	117,722	3,385,226	331,330
Transportation and travel	3,639,195	-	3,639,195	15,906,350
Incurred claims	-	-	-	407,966,802
Estimated claims & changes in estimates	-	-	-	3,455,447
Cost of goods sold	-	-	-	259,383
Depreciation and amortization	109,661,004	925,971	110,586,975	8,555,058
Total operating expenses	381,173,927	13,312,034	394,485,961	468,996,324
Operating income/(loss)	427,757,954	333,728	428,091,682	(49,805,138)
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	3,289,821	3,825	3,293,646	14,324
Lease income	8,640	-	8,640	-
Interest expense	(83,303,263)	-	(83,303,263)	-
Bond issuance cost	(34,537)	-	(34,537)	-
Gain/(Loss) on disposal of capital assets	56,208	-	56,208	202,418
Amortization expense	(3,487,377)	-	(3,487,377)	-
Other nonoperating revenue	2,571,734	-	2,571,734	5,629,509
Total nonoperating revenues (expenses)	(80,898,774)	3,825	(80,894,949)	5,846,251
Income (loss) before transfers and contributions	346,859,180	337,553	347,196,733	(43,958,887)
Transfers in	-	-	-	8,931,658
Transfers out	(253,954,915)	-	(253,954,915)	(5,000,000)
Total transfers and contributions	(253,954,915)	-	(253,954,915)	3,931,658
Change in net position	92,904,265	337,553	93,241,818	(40,027,229)
Net position, beginning	1,765,265,509	55,008,691	1,820,274,200	181,147,753
Net position, ending	$ 1,858,169,774	$ 55,346,244	$ 1,913,516,018	$ 141,120,524

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended February 28, 2022

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 786,592,048	$ 14,265,799	$ 800,857,847	$ 409,989,531
Payments to employees	(63,065,458)	(1,220,951)	(64,286,409)	(13,067,286)
Payments to vendors	(233,402,119)	(10,948,553)	(244,350,672)	(47,032,743)
Claims paid	-	-	-	(396,676,145)
Receipts from miscellaneous reimbursements	2,571,734	-	2,571,734	5,629,509
Payments from other governmental units	(11,315,311)	-	(11,315,311)	-
Net cash provided by (used for) operating activities	481,380,894	2,096,295	483,477,189	(41,157,134)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	8,931,658
Transfers to other funds	(253,954,915)	-	(253,954,915)	(5,000,000)
Net cash provided by (used for) noncapital financing activities	(253,954,915)	-	(253,954,915)	3,931,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipts from lease of capital assets	6,669	-	6,669	-
Purchases of capital assets	(189,681,364)	(420,285)	(190,101,649)	(4,075,235)
Proceeds on disposal of capital asset	188,794	-	188,794	-
Principal paid on capital debt	(104,160,000)	-	(104,160,000)	-
Interest paid on capital debt	(102,267,521)	-	(102,267,521)	-
Bond Fees	(34,537)	-	(34,537)	-
Net cash used for capital and related financing activities	(395,947,959)	(420,285)	(396,368,244)	(4,075,235)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(519,987,081)	-	(519,987,081)	(10,991,323)
Proceeds from sales and maturities of investments	390,437,907	-	390,437,907	13,828,780
Interest paid	(2,386,200)	-	(2,386,200)	(915,838)
Interest received	-	3,538,755	3,538,755	44,285,244
Net cash provided by (used for) investing activities	(131,935,374)	3,538,755	(128,396,619)	46,206,863
Net change in cash and cash equivalents	(300,457,354)	5,214,765	(295,242,589)	4,906,152
Cash and cash equivalents, beginning	861,690,708	18,703,538	880,394,246	68,193,296
Cash and cash equivalents, ending	$ 561,233,354	$ 23,918,303	$ 585,151,657	$ 73,099,448
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	$ 427,757,954	$ 333,728	$ 428,091,682	$ (49,805,138)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	109,661,004	925,971	110,586,975	8,555,058
Other nonoperating expenses	2,571,734	-	2,571,734	5,629,509
Changes in current assets and liabilities:				
Accounts Receivables, net	(5,792)	606,754	600,962	(8,378,782)
Other Receivables	(28,057,963)	-	(28,057,963)	-
Due from primary government	3,758	-	3,758	-
Prepaids and other assets	(467,227)	-	(467,227)	(65,207)
Inventories	2,294,114	-	2,294,114	259,383
Deferred Outflows for Pension and OPEB	698,717	-	698,717	-
Vouchers payable and accrued liabilities	9,026,259	214,171	9,240,430	3,481,682
Retainage payable	268,822	-	268,822	-
Due to primary government	(47,409,039)	-	(47,409,039)	-
Due to other governmental units	(11,315,311)	-	(11,315,311)	-
Other liabilities	75	13,283	13,358	-
Net Pension Asset and OPEB liability	(12,190,975)	-	(12,190,975)	-
Unearned revenue	5,723,847	-	5,723,847	(668,014)
Compensatory time payable	143,402	2,388	145,790	(165,625)
Deferred Inflows for Pension	22,677,515	-	22,677,515	-
Net cash provided by (used for) operating activities	$ 481,380,894	$ 2,096,295	$ 483,477,189	$ (41,157,134)
Non-Cash Operating, Capital and Related Financing, And Investing Activities:				
Increase in fair value of hedging derivative instruments	$ 8,142,490	$ -	$ 8,142,490	$ -
Increase (decrease) in fair value of investments	(4,633,923)	(3,534,412)	(8,168,335)	(46,102,903)
Purchase of capital assets on account	7,201,203	-	7,201,203	-

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
February 28. 2022

	CUSTODIAL FUNDS
ASSETS	
Cash and cash equivalents	$ 370,732,763
Investments	93,253,474
Accounts receivable, net	7,450,403
Other receivables, net	126,255
Total assets	$ 471,562,895
LIABILITIES	
Held for others	$ 948,146
Due to other governments	176,994,175
Total liabilities	177,942,321
NET POSITION	
Individuals, organizations, and other governments	293,620,574
Total net position	$ 293,620,574

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
for the Year Ended February 28. 2022

	CUSTODIAL FUNDS
ADDITIONS	
Tax collections for other governments	$ 14,865,144,068
Held for others	149,124,653
Total additions	15,014,268,721
DEDUCTIONS	
Payments to other governments	14,909,548,090
Payments to individuals	112,613,976
Investment loss	99,942
Total deductions	15,022,262,008
Net increase in fiduciary net position	(7,993,287)
Net position - beginning restated (See Note 1s)	301,613,861
Net position - ending	$ 293,620,574

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION - COMPONENT UNITS
FEBRUARY 28, 2022

	Harris Center for Mental Health and IDD (formerly MHMRA)	Harris County Hospital District dba Harris Health System	Nonmajor Component Units	Total
ASSETS				
Cash and cash equivalents	$ 17,761,238	$1,137,213,000	$ 12,187,096	$ 1,167,161,334
Investments, including accrued interest	112,878,539	530,296,000	4,536,860	647,711,399
Receivables:				
Taxes, net	-	26,221,000	-	26,221,000
Accounts, net	14,319,439	127,653,000	915,189	142,887,628
Other	9,395,688	259,063,000	-	268,458,688
Inventories	293,235	10,899,000	-	11,192,235
Prepaids and other assets	3,532,786	471,737,000	51,824	475,321,610
Restricted cash and investments	388,890	135,303,000	51,355	135,743,245
Capital assets:				
Land,improvements, and construction in progress	6,432,036	177,067,000	5,965,681	189,464,717
Other capital assets, net of depreciation	47,634,046	383,224,000	28,402,695	459,260,741
Total assets	212,635,897	3,258,676,000	52,110,700	3,523,422,597
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	-	7,554,000	-	7,554,000
Derivative instruments	-	10,020,000	-	10,020,000
Resources Related to Pension	-	142,638,000	-	142,638,000
Total deferred outflows of resources	-	160,212,000	-	160,212,000
LIABILITIES				
Vouchers payable and accrued liabilities	18,373,022	300,786,000	34,609	319,193,631
Other liabilities	-	472,511,000	-	472,511,000
Unearned revenue	18,172,695	-	744,969	18,917,664
Accrued interest payable	-	375,000	-	375,000
Noncurrent liabilities:				
Due within one year	269,936	12,877,000	-	13,146,936
Due in more than one year	8,232,244	921,539,000	-	929,771,244
Total liabilities	45,047,897	1,708,088,000	779,578	1,753,915,475
DEFERRED INFLOWS OF RESOURCES				
Resources Related to Pension	-	88,153,000	-	88,153,000
Resources Related to OPEB	-	130,542,000	-	130,542,000
Total deferred inflows of resources	-	218,695,000	-	218,695,000
NET POSITION				
Net investment in capital assets	53,763,642	239,611,000	-	293,374,642
Restricted for:				
Debt service	-	33,329,000	-	33,329,000
Capital projects	-	45,000,000	-	45,000,000
Donor restrictions	-	42,458,000	173,041	42,631,041
Unrestricted net position	113,824,358	1,131,707,000	51,158,081	1,296,689,439
Total net position	$ 167,588,000	$1,492,105,000	$ 51,331,122	$ 1,711,024,122

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For The Year Ended February 28, 2022

	Harris Center for Mental Health and IDD (formerly MHMRA)	Harris County Hospital District dba Harris Health System	Nonmajor Component Units	Total
REVENUES				
Program Revenues:				
Charges for services	$ 83,722,308	$ 822,096,000	$ 2,337,565	$ 908,155,873
Operating grants and contributions	181,209,032	2,784,914,000	5,657,957	2,971,780,989
Capital grants, contributions and other	-	45,900,000	-	45,900,000
Total program revenues	264,931,340	3,652,910,000	7,995,522	3,925,836,862
EXPENSES	271,793,687	4,245,488,000	10,582,092	4,527,863,779
Net program revenues (expenses)	(6,862,347)	(592,578,000)	(2,586,570)	(602,026,917)
General Revenues:				
Ad valorem tax revenues	-	814,846,000	-	814,846,000
Earnings on investments	121,040	9,490,000	(16,100)	9,594,940
Other	27,660,444	53,590,000	566,146	81,816,590
Gain on sale of capital assets	72,625	-	-	72,625
Net general revenues	27,854,109	877,926,000	550,046	906,330,155
Change in net position	20,991,762	285,348,000	(2,036,524)	304,303,238
Net position, beginning	146,596,238	1,206,757,000	53,367,646	1,406,720,884
Net position, ending	$ 167,588,000	$ 1,492,105,000	$ 51,331,122	$ 1,711,024,122

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Board President – Peter Jordan
Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, TX 77010-3095

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

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

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

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

Harris County Health Facilities Development Corporation ("HFDC"). The HFDC provides financing for qualified health facilities. Eligible projects must improve the adequacy, cost and accessibility of health care in Houston, Texas. Under the current tax code, eligible borrowers are limited to non-profit corporations. HFDC financing costs are limited to land, buildings, and equipment. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County can impose its will. HFDC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 8.D. to the financial statements.

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

The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County can impose its will on CEFFC. The CEFFC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 8.D. to the financial statements.

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

- Harris County Hospital District, dba Harris Health System: February 28, 2022
- Harris Center for Mental Health and IDD (formerly MHMRA): August 31, 2021
- Harris County Housing Finance Corporation: December 31, 2021
- Harris County Industrial Development Corporation: August 31, 2021
- Children's Assessment Center Foundation, Inc.: February 28, 2022
- Friends of Countypets: February 28, 2022

B. RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

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

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

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

During fiscal year 2022, the County disbursed the following amounts to these organizations: \$75,000 to the Gulf Coast Freight Rail District, \$4,656 to the Harris-Galveston Subsidence

District, \$60,558 to the Port of Houston Authority, \$163,698 to the Houston-Galveston Area Council, and \$5,093,878 to Metropolitan Transit Authority. The County also collected \$255,804 from the Port of Houston Authority, \$18,294,709 from the Houston-Galveston Area Council, \$1,324,978 from the Metropolitan Transit Authority of Harris County, \$45,000 from Harris County/Houston Sports Authority, \$17,981,052 from the Houston Ship Channel Security District, and \$1,624,736 from the Harris County Housing Authority.

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

During fiscal year 2022 (for the tax year ended December 31, 2021), the County disbursed \$7,557,697 to the City of Houston TIRZs, \$594,660 to the City of Baytown TIRZ, and \$1,086,740 to the City of La Porte TIRZ.

C. IMPLEMENTATION OF NEW STANDARDS

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

GASB Statement No. 98, *The Annual Comprehensive Financial Report* – ("GASB 98"), establishes the term annual comprehensive financial report and its acronym ACFR, but does not otherwise establish new accounting and financial reporting requirements. The required changes due to the implementation of GASB 98 are reflected in the County's notes to the financial statements.

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

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Program revenues include those generated from administration of justice, parks, county administration, health and human services, flood control, tax administration, and roads and bridges. Taxes and other items not included among program revenues are reported instead as general revenues. Miscellaneous general revenues contain non-program specific contributions.

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

Fund Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on governmental long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Grant and entitlement revenues are also susceptible to accrual. Encumbrances are used during the year. These funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds, including the enterprise and internal service funds, and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds statement of net position.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

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

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

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

ARP Act – used to account for the American Rescue Plan grant fund.

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

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

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

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

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

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

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

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

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

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

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

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

Tax Collector's - tax collections are deposited in the Tax Collector's fiduciary fund pending audit and distribution to other taxing jurisdiction.

E. **BUDGETS**

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

- Departmental annual budget requests are submitted by the Department or Agency Head to the County Budget Officer during the third quarter of the fiscal year for the upcoming fiscal year to begin March 1.

- Public hearings are held on the proposed budget.

- The County Auditor prepares an estimate of available resources for the upcoming fiscal year.

- The County Budget Officer prepares the proposed annual operating budget to be presented to Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.

- Commissioners Court must adopt an annual operating budget by a majority vote of Commissioners Court before April 1. The adopted budget must be balanced; that is, budgeted expenditures may not exceed available resources.

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

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

- Commissioners Court may approve expenditures as an amendment to the original budget only in the case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention.

- The County Auditor shall certify to the Commissioners Court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.

- The County Auditor shall certify to the Commissioners Court the receipt of all revenue from intergovernmental contracts that are available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.

- The County Auditor shall certify to the Commissioners Court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.

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

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

- Budgets are prepared on a cash basis (budget basis) which differs from GAAP basis.

A reconciliation of General Fund revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) is presented in the Notes to the Required Supplementary Information.

F. Restricted Assets

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

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

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

G. DEPOSITS AND INVESTMENTS

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

H. INTERFUND TRANSACTIONS

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

I. INVENTORY

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

J. PREPAIDS AND OTHER ASSETS

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

K. PREMIUMS (DISCOUNTS) ON BONDS PAYABLE

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

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows consist of, when applicable, deferred charges on refundings, the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods, pension contributions after measurement date, the differences in projected and actual earnings on pension assets, and changes in pension assumptions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The pension contributions after measurement date are deferred and recognized in the following fiscal year. The differences in projected and actual earnings on pension assets are amortized over a closed five year period. Pension assumption changes are recognized over the average remaining service life for all members.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of, when applicable, the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods, differences in expected and actual pension experience, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The differences in expected and actual pension experience are amortized over the average of the expected remaining service lives of all employees that are provided with pension benefits through the pension plan (active employees and inactive employees).

M. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets include land (including easements and right of ways), intangible assets, construction in progress, land improvements, buildings and building improvements, park improvements and facilities, equipment (including machinery, vehicles, animals, other tangible assets, exhaustible works of art and historical treasures and computer software), and infrastructure that are used in the County's operations and benefit the County for more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the County include roads, bridges, flood control facilities, lighting, storm sewers, and tunnels.

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

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

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

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

N. NET POSITION AND FUND BALANCES

NET POSITION CLASSIFICATIONS

Net position in the proprietary fund financial statements and the government-wide financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net position, and 3) Unrestricted net position.

FUND BALANCE CLASSIFICATIONS

Under GAAP, fund balances are required to be reported according to the following classifications:

Nonspendable – Amounts that cannot be spent because they are either not in spendable form or they are required, legally or contractually, to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables (if the proceeds from the collection of the receivables are not restricted, committed, or assigned).

Restricted – These amounts represent assets that have externally imposed restrictions by creditors, grantors, contributors, or laws or regulations of other governments. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The County's highest level of decision-making authority resides with the Commissioners Court. The constraints imposed by the formal action of the Commissioners Court remain binding unless removed or changed in the same manner employed to previously commit those resources. To establish, modify, or rescind a fund balance commitment requires an order adopted by Commissioners Court.

Assigned – Amounts that are constrained by the County's intent to be used for a specific purposes, but that do not meet the criteria to be restricted or committed. Such intent should be expressed by the Commissioners Court or its designated officials to assign amounts to be used. The County Budget Officer, by virtue of Commissioners Court ordered appointment to that office and as a normal function of that office, has the authority to assign fund balance to particular purposes. Assignments made by the County Budget Officer can occur during the budget process or throughout the year in the normal course of business. Commissioners Court, at their discretion, may make assignments of fund balance or direct other County officials to do so. Constraints imposed on the use of the assigned amounts can be removed with no formal action.

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

For the classification of fund balances in the governmental funds, the County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

O. COMPENSATED ABSENCES

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

Regular employees accrue 13 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 720 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from 3.08 to 7.7 hours of vacation per pay period depending on years of service and may accumulate a maximum of 280 hours of vacation benefits. Upon termination, employees are paid the balance of unused vacation benefits.

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

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

P. STATEMENT OF CASH FLOWS

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

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. COMPONENT UNIT TAX REVENUES

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

S. RESTATEMENT

Subsequent to the issuance of the February 28, 2021, financial statements, the County identified an error related to the misapplication of the implementation of GASB 84, Fiduciary Activities, for the County Clerk Registry fund and District Clerk Registry fund. The County determined that $150,489,311 was incorrectly recorded as held for others rather than within Net position, on the Statement of Fiduciary Net Position for the year ended February 28, 2021. In addition, the County determined that $3,410,678 was incorrectly excluded from net position and other receivables, net. To correct the error, the County restated the February 28, 2021, net position beginning balance reflected in the February 28, 2022, Statement of Changes in Fiduciary Net Position noted below:

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Net position – beginning	$ 147,713,872
Addition of Net Position as calculated pursuant to restatement	153,899,989
Net position – beginning, as restated	$ 301,613,861

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance Corporation (FDIC) is available for funds deposited at any financial institution up to a maximum of $250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2022, the balance per various financial institutions was $1,708,223,745. The County's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank, in accordance with the Public Funds Collateral Act.

Investments: Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes Harris County to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, and addresses investment diversification, yield, and maturity.

The Harris County Investment Policy is reviewed and approved at least annually by Commissioners Court. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS
Funds of Harris County may be invested as authorized by the Public Funds Investment Act which is located in Chapter 2256 of the Texas Government Code. Allowable investments include:

1. Direct obligations of the United States, its agencies and instrumentalities.

2. Other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the FDIC.

3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.

4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A, or its equivalent, by a nationally recognized investment rating firm.

5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County's authority to invest funds in certificates of deposit and share certificates as stated above, made in accordance with the following conditions is an authorized investment under Texas Gov't. Code Section 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.

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

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code, Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.

8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.

9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of Commissioners Court to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.

10. A Securities and Exchange Commission ("SEC") registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.

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

Summary of Cash and Investments

Harris County's cash and investments are stated at fair value or amortized cost. The following is a summary of the County's cash and investments at February 28, 2022:

	Governmental Funds	Proprietary Funds	Total	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 1,173,923,940	$ 587,076,017	$ 1,760,999,957	$ 370,732,763	$ 2,131,732,720
Restricted Cash and Cash Equivalents	268,981,903	71,175,088	340,156,991	-	340,156,991
Investments	1,761,457,014	629,237,833	2,390,694,847	93,253,474	2,483,948,321
Restricted Investments	77,471,868	238,576,992	316,048,860	-	316,048,860
Total Cash & Investments	$ 3,281,834,725	$ 1,526,065,930	$ 4,807,900,655	$ 463,986,237	$ 5,271,886,892

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

The table below indicates the fair value and maturity value of the County's investments as of February 28, 2022, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in days for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
US Agency Notes					
FFCB NOTE	$ 129,025,379	2.45%	$ 129,305,000	0.0085	AA+/Aaa
FHLB NOTE	307,012,195	5.82%	307,415,000	0.1062	AA+
FNMA NOTE	1,970,958	0.04%	2,000,000	0.0005	AA+/Aaa
Total US Agency Notes	438,008,532		438,720,000		
Commercial Paper					
BNP - DISC CP	358,952,700	6.81%	360,000,000	0.0268	A1/P1
NATX - DISC CP	192,542,207	3.65%	193,000,000	0.0128	A1/P1
TCCI - DISC CP	169,766,500	3.22%	170,000,000	0.0076	A1/P1
TMCC - DISC CP	140,691,825	2.67%	141,000,000	0.0082	A1/P1
Total Commercial Paper	861,953,232		864,000,000		
Local Governments					
ASCENSION PARISH LA SCH DIST GO	1,525,000	0.03%	1,525,000	0.0000	AA
AUSTIN ISD TX UT GO *ESG*	7,751,880	0.15%	7,520,000	0.0011	Aaa
AUSTIN TX LT GO	1,202,132	0.02%	1,205,000	0.0001	AAA/Aa1
BLACK HAWK CO IA UT GO	1,319,445	0.03%	1,315,000	0.0001	Aa2
BOZEMAN MT UT GO	512,453	0.01%	510,000	0.0000	Aa1
BURLINGTON CO NJ GO	877,126	0.02%	875,000	0.0000	AA/Aa1
COLUMBUS OH	6,570,867	0.12%	6,385,000	0.0018	Aaa/AAA
COMAL ISD TX UT GO	2,470,936	0.05%	2,350,000	0.0007	AAA/Aaa
CONROE ISD TX UT GO	2,509,008	0.05%	2,395,000	0.0008	AAA/Aaa
DALLAS AREA RAPID TRANS TX REV *ESG*	995,480	0.02%	1,000,000	0.0001	Aa2
DALLAS ISD TX UT GO	10,387,000	0.20%	10,000,000	0.0019	AAA/Aaa
FRISCO TX ISD UT GO	509,885	0.01%	500,000	0.0001	AAA/Aaa
GREENSBORO NC	1,926,758	0.04%	1,915,000	0.0001	AAA/Aa1
IOWA CITY IA GO	501,850	0.01%	500,000	0.0000	Aaa
IOWA ST WESTERN COMM CLG UT GO	835,426	0.02%	835,000	0.0000	Aa1

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
LAMAR ISD TX UT GO	2,054,950	0.04%	2,000,000	0.0006	AAA/Aaa
LAURENS CO GA SCH DIST UT GO *ESG*	750,000	0.01%	750,000	0.0000	Aa1
LONGPORT NJ UT GO	361,789	0.01%	360,000	0.0000	AA+
MARYLAND ST DEPT OF TRANS REV	30,026,674	0.57%	29,110,000	0.0043	AAA/Aa1
METRO COUNCIL MINNEAPOLIS MN WSTWT	29,817,233	0.57%	29,595,000	0.0110	AAA/Aaa
METRO WSTWTR RECL DIST CO	2,512,836	0.05%	2,510,000	0.0000	AAA/Aa1
NEW BERLIN SCH DIST WI	300,000	0.01%	300,000	0.0000	Aa2
NEW JERSEY ST HSG & MTG FIN AGY REV *I	3,008,230	0.06%	3,000,000	0.0004	Aaa
NEW YORK ST DORM AUTH REV	9,999,300	0.19%	10,000,000	0.0001	AA+
NUECES CO TX LT GO	743,790	0.01%	750,000	0.0001	AA/Aa2
PALM BEACH CO FL REV	30,738,011	0.58%	31,045,000	0.0067	AAA/Aa1
PMA SCH DIST AID ANT NTS WI	4,023,080	0.08%	4,000,000	0.0004	MIG1
Round Rock ISD TX	2,416,794	0.05%	2,375,000	0.0004	Aaa
SOUTHWEST ISD TX UT GO *ESG*	806,941	0.02%	780,000	0.0003	AAA
ST LOUIS CO MN UT GO	1,085,202	0.02%	1,075,000	0.0002	AA+
STATE OF MAINE GO	3,339,063	0.06%	3,365,000	0.0010	AA/Aa2
STATE OF TX GO SER	7,697,040	0.15%	7,800,000	0.0023	AAA
TRIBOROUGH NY BRIDGE REV SER	7,536,131	0.14%	7,185,000	0.0017	AA+
Trinity River TX Authority	2,087,290	0.04%	2,050,000	0.0002	AAA/AAA
TULSA OK ISD 1 UT GO *ESG*	2,565,000	0.05%	2,565,000	0.0000	AA
TX STATE PUB FIN AUTH REV	7,103,508	0.13%	7,160,000	0.0012	AA+/Aa1
UNIV OF CALIFORNIA REVS	4,936,850	0.09%	5,000,000	0.0011	AA/Aa2
WACO ISD TX *ESG*	1,054,955	0.02%	1,100,000	0.0005	Aaa
WILLIAMSON CO TX LT GO	495,630	0.01%	500,000	0.0001	AAA
Total Local Governments	195,355,543		193,205,000		
US Treasury Bills and Bonds					
US Treasury Bill	360,492,000	6.84%	361,035,000	0.0172	AA+/Aaa
US Treasury Bond	347,155,092	6.59%	346,000,000	0.0186	AA+/Aaa
Total US Treasury Bills and Bonds	707,647,092		707,035,000		
US Treasury Notes					
US Treasury Note	853,527,655	16.19%	857,200,000	0.1490	NR
Total US Treasury Notes	853,527,655		857,200,000		
CD Options					
Unity Bank	5,004,396	0.09%	5,004,396	0.0016	AA+/Aaa
Total CD Options	5,004,396		5,004,396		
Money Market Mutual Funds					
DDA CADENCE	635,235,608	12.05%	635,235,608	N/A	N/A
Fidelity Instl Treasury	189,775,135	3.60%	189,775,135	N/A	AAAm
LOGIC - POOL	143,041,399	2.71%	143,041,399	N/A	AAAm
LONE STAR - POOL	164,441,932	3.12%	164,441,932	N/A	AAAm
LONE STAR (GOV) - POOL	19,113	0.00%	19,113	N/A	AAAm
MMF - Cadence	800,288,497	15.16%	800,288,497	N/A	N/A
MMF - TRA TRUST DSR (BNYM)	66,907,190	1.27%	66,907,190	N/A	N/A
MMF - TRA TRUST INVESCO (BNYM)	82,409	0.00%	82,409	N/A	N/A
TX CLASS - POOL	209,549,650	3.98%	209,549,650	N/A	AAAm
Total Money Market Mutual Funds	2,209,340,933		2,209,340,933		
Total Investments	5,270,837,383				
Outstanding items/deposits	1,049,509				
Total Cash & Investments	$ 5,271,886,892	100.00%	$ 5,274,505,329		

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

As of February 28, 2022, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments, U.S. Treasury Bills, U.S Treasury Bonds, U.S. Treasury Notes, and CD Options, totaling $3,061,496,450, 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 $2,209,340,933 are measured at amortized cost or fair value in accordance with GASB Nos. 72 and 79. The recorded position of the pool for Texas CLASS is measured at net asset value to approximate fair value, which is designed to approximate the share value; however, the net asset value is not guaranteed or insured. LOGIC, Lone Star, Cadence Money Market Fund, and TRA Invesco BNYM portfolios are measured at amortized cost, which approximates fair value. Cadence Demand Deposit Accounts preserves capital and liquidity and is considered cash value. Texas Class, LOGIC, and Lone Star pools must abide by the Public Funds Investment Act Section 2256.

RISK DISCLOSURES

Interest Rate Risk: All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

According to the County investment policy, no more than 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, flood control, proprietary and enterprise, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and bond reserves, may be invested beyond three years. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 28, 2022, the County was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 25% of the overall portfolio may be invested in

time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimized.
The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA or its equivalent by at least one nationally recognized investment rating firm.

<u>Custodial Credit Risk:</u> Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2022, all of the County's investments are held in the County's name.

<u>Foreign Currency Risk:</u> Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the US dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the County is not exposed to foreign currency risk.

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the Harris County financial statements. The three investment strategies employed by Harris County are the Matching Approach, the Barbell Approach and the Laddered Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. The Laddered Approach is an investment method where maturities are positioned to occur in regular intervals, providing a known stream of cash.

Specific guidelines have not been established for Pooled Investments, but the same standards that were developed for the General Fund Group are also applicable to Pooled Investments. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Pooled Investments	Matching/Laddered	3	$ 2,001,559,396	0.67
Special Revenue Funds	Matching	5	92,500,000	0.32
Capital Project Funds	Matching/Barbell/Laddered	5	84,000,000	0.68
Public Improvement Contingency	Matching/Barbell/Laddered	6	50,000,000	0.89
Proprietary & Enterprise Funds	Matching/Barbell/Laddered	6	16,925,000	0.32
Toll Road Project Funds	Matching/Barbell/Laddered	6	382,190,000	0.96
Toll Road Renewal/Replacement	Matching/Barbell/Laddered	6	148,665,000	1.10
Toll Road Bond Reserve	Matching/Barbell/Laddered	Maturity of the bonds	212,325,000	0.64
County Clerk Registry	Laddered	7	14,000,000	0.56
District Clerk Registry	Laddered	7	63,000,000	0.78
Money Market Mutual Funds	N/A	N/A	2,209,340,933	N/A
			$ 5,274,505,329	

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

3. PROPERTY TAXES

COUNTY

Property taxes for the County and the Flood Control District are levied on tax rates adopted within 60 days of receiving the certified roll or September 30, whichever is later. Tax rates are usually adopted in September or October. Taxes are levied on the assessed value of all taxable real and personal property as of the preceding January 1. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. All tax payments not received by February 1, after the taxes are levied, are considered delinquent. Accordingly, no current taxes receivable are reported. Appraised values are determined by the Harris County Appraisal District ("Appraisal District") equal to 100% of the appraised market value as required by the State Property Tax Code. Real property must be appraised at least every three years. Taxpayers and taxing units may challenge appraisals of the Appraisal District through various appeals and, if necessary, legal action.

The County is responsible for setting the tax rates for the County, the Flood Control District, the Hospital District, and the Port of Houston Authority for debt service only. The County adopted the 2021 tax rate, per $100 of taxable value, for the County and Flood Control District as follows:

	Maintenance and Operations	Debt Service	Total
Harris County	$ 0.33500	$ 0.04193	$ 0.37693
Flood Control District	$ 0.02599	$ 0.00750	$ 0.03349

The County is permitted by law to levy tax rates for general fund, jury fund, road and bridge fund and permanent improvement fund purposes up to $0.80 per $100 of taxable valuation. The County levied a tax rate of $0.37693 per $100 of taxable valuation subject to the $0.80 tax rate limitation for Constitutional Funds.

The Flood Control District is permitted by law to levy a tax rate up to $0.30 per $100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the $0.30 tax rate limit. The tax rate for maintenance and operations is limited to the rate as may from time to time be approved by the voters of the Flood Control District. The maximum tax rate for maintenance and operations is $0.15 per $100 of taxable valuation. A tax rate of $0.02599 per $100 valuation was set in 2021 for the Flood Control District's maintenance and operations. The County Tax Assessor-Collector bills and collects the taxes for the County, Flood Control District, Hospital District, Port of Houston Authority, City of Houston and various other jurisdictions within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor-Collector's Fiduciary Fund. Tax collections deposited for the County and Flood Control District are distributed on a periodic basis to the respective General Funds and Debt Service Funds. These distributions are based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

Property tax receivables of $97,398,539 as of February 28, 2022 are reported net of an allowance for uncollectible taxes of $151,581,467.

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

For the fiscal year ended February 28, 2022, the County abated property taxes totaling $530,966 under this program, which includes four entities—two of which were manufacturing facilities, which were granted exemptions that converted to property tax abatements totaling $146,202. The other two of the entities were regional distribution facilities, which were also granted exemptions that converted to a property tax abatement of $384,764.

COMPONENT UNITS

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

Property tax receivables of $26,221,000 as of February 28, 2022 are reported net of an allowance for uncollectible taxes of $51,656,000 for the Hospital District.

4. OTHER RECEIVABLES

The County reports accounts receivables and other receivables in the various funds for amounts to be received from customers, granting agencies, and the Tax Assessor. A breakdown of these receivables at February 28, 2022 is as follows:

	Customers	Granting Agencies	Tax Assessor	Total (net)	Allowance for Uncollectible
General	$ 36,660,162	$ -	$ 53,722,543	$ 90,382,705	$ (1,787,642)
ARPA Grant	26,440,492	-	-	26,440,492	-
Nonmajor Governmental	38,337,256	382,339,604	8,608,434	429,285,294	(959,031)
Toll Road	75,306,018	-	-	75,306,018	(542,012,538)
Nonmajor Enterprise	1,052,964	-	-	1,052,964	-
Internal Service	24,432,492	-	-	24,432,492	(378,716)
Component Units	142,887,628	268,458,688	-	411,346,316	(59,518,034)
Totals	$ 345,117,012	$ 650,798,292	$ 62,330,977	$ 1,058,246,281	$ (604,655,961)

5. INTERFUND BALANCES AND TRANSFERS

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

The interfund receivable and payable balances, by individual major fund, other governmental funds (aggregated), other proprietary funds (aggregated), internal service funds (aggregated), and fiduciary funds as of February 28, 2022 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	General	$ 15,531,530
	Nonmajor Governmental	109,519,636
	Toll Road	8,053,862
	Internal Service	10,088,768
Nonmajor Governmental	General	9,111,117
	Nonmajor Governmental	194,753,688
	ARPA	40,704
Internal Service	General	15,886
	Nonmajor Governmental	3,299,741
	Toll Road	559,292
	Internal Service	19,810
Nonmajor Enterprise	Nonmajor Governmental	457,050
Fiduciary	General	19,180
	Nonmajor Governmental	510,490
Total		$ 351,980,754

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

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 370,000
Nonmajor Governmental	Nonmajor Governmental	2,130,000
Total		$ 2,500,000

The following is a summary of the County's transfers for the year ended February 28, 2022:

	Transfers In: General	Nonmajor Governmental	Internal Service	Total
Transfers Out:				
General	$ -	$ 95,490,559	$ 2,900,000	$ 98,390,559
Nonmajor Governmental	93,393,841	25,126,024	1,031,658	119,551,523
Toll Road	187,125,461	66,829,454	-	253,954,915
Internal Service	-	-	5,000,000	5,000,000
Total	$ 280,519,302	$ 187,446,037	$ 8,931,658	$ 476,896,997

Toll Road transferred $254.0 million to the General fund and Debt Service Fund for funding of a County thoroughfare and mobility program. All other transfers are routine in nature, such as cash match of grants, debt service payments, and internal service costs.

6. CAPITAL ASSETS

COUNTY

Capital asset activity for the year ended February 28, 2022 was as follows:

	Balance March 1, 2021	Additions	Deletions	Transfers	Balance February 28, 2022
Governmental Activities:					
Land	$ 4,696,102,898	$ 135,023,891	$ (13,075)	$ 51,318	$ 4,831,165,032
Construction in progress	689,168,391	275,910,042	-	(48,915,110)	916,163,323
Intangible assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	5,387,671,289	410,933,933	(13,075)	(48,863,792)	5,749,728,355
Intangible assets - software & licenses	145,585,713	15,839,359	-	-	161,425,072
Land improvements	19,183,103	568	-	2,808,593	21,992,264
Infrastructure	12,237,138,300	72,545,442	(3,046)	16,410,170	12,326,090,866
Park facilities	229,453,490	1,550,360	-	13,260,128	244,263,978
Flood control projects	1,060,087,752	-	-	11,865,603	1,071,953,355
Buildings	2,098,226,523	27,816,769	-	4,314,719	2,130,358,011
Equipment	485,774,922	34,698,421	(17,921,002)	204,579	502,756,920
	16,275,449,803	152,450,919	(17,924,048)	48,863,792	16,458,840,466
Less accumulated depreciation for:					
Intangible assets - software & licenses	(89,466,528)	(5,641,036)	-	(592)	(95,108,156)
Land improvements	(5,952,485)	(1,009,151)	-	592	(6,961,044)
Infrastructure	(7,264,425,695)	(268,184,543)	1,548	-	(7,532,608,690)
Park facilities	(93,700,877)	(8,029,874)	-	15,912	(101,714,839)
Flood control projects	(545,349,131)	(33,954,915)	-	-	(579,304,046)
Buildings	(820,343,922)	(45,641,012)	-	-	(865,984,934)
Equipment	(333,947,314)	(35,876,022)	17,175,785	(15,912)	(352,663,463)
	(9,153,185,952)	(398,336,553)	17,177,333	-	(9,534,345,172)
Total capital assets being depreciated, net	7,122,263,851	(245,885,634)	(746,715)	48,863,792	6,924,495,294
Governmental activities capital assets, net	$ 12,509,935,140	$ 165,048,299	$ (759,790)	$ -	$ 12,674,223,649

	Balance March 1, 2021	Additions	Deletions	Transfers	Balance February 28, 2022
Business-type Activities:					
Land	$ 387,290,775	$ 645,856	$ -	$ -	$ 387,936,631
Construction in progress	1,627,336,688	175,615,431	(333,000)	(349,358,285)	1,453,260,834
Total capital assets not depreciated	2,014,627,463	176,261,287	(333,000)	(349,358,285)	1,841,197,465
License Agreement	237,500,000	-	-	-	237,500,000
Land improvements	21,266,409	-	-	-	21,266,409
Infrastructure	2,607,255,598	-	-	349,358,285	2,956,613,883
Other tangible assets	8,937,074	-	-	-	8,937,074
Buildings	43,615,443	-	-	-	43,615,443
Equipment	79,625,055	6,306,159	(13,154,527)	-	72,776,687
	2,998,199,579	6,306,159	(13,154,527)	349,358,285	3,340,709,496
Less accumulated depreciation/amortization for:					
License Agreement	(66,428,750)	(7,505,000)	-	-	(73,933,750)
Land improvements	(9,540,234)	(1,063,625)	-	-	(10,603,859)
Infrastructure	(1,637,595,157)	(95,684,664)	-	-	(1,733,279,821)
Other tangible assets	(8,603,989)	(19,690)	-	-	(8,623,679)
Buildings	(16,035,671)	(959,718)	-	-	(16,995,389)
Equipment	(66,043,417)	(5,354,277)	13,021,941	-	(58,375,753)
	(1,804,247,218)	(110,586,974)	13,021,941	-	(1,901,812,251)
Total capital assets being depreciated, net	1,193,952,361	(104,280,815)	(132,586)	349,358,285	1,438,897,245
Business-type activities capital assets, net	$ 3,208,579,824	$ 71,980,472	$ (465,586)	$ -	$ 3,280,094,710

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

Governmental activities:	
Administration of Justice	$ 6,047,630
Parks	8,962,505
County Administration	85,503,043
Health and Human Services	3,820,666
Flood Control	34,780,269
Tax Administration	63,691
Roads and Bridges	259,158,749
	$ 398,336,553
Business-type activities:	
Parking Facilities	$ 639,955
Sheriff's Commissary	286,016
Toll Road	109,661,003
	$ 110,586,974

COMPONENT UNITS

Harris Center for Mental Health and IDD (August 31, 2021)	Fiscal Year Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Fiscal Year Ending Balance
Land	$ 5,028,114	$ -	$ 1,403,922	$ 6,432,036
Buildings & Improvements	42,550,210	22,623,929	(1,704,727)	63,469,412
Equipment, Furniture & Vehicles	11,440,720	338,472	(2,677,566)	9,101,626
Intangible Assets - Software	42,704	-	-	42,704
	59,061,748	22,962,401	(2,978,371)	79,045,778
Less accumulated depreciation for:				
Buildings & Improvements	(20,554,545)	(1,901,386)	-	(22,455,931)
Equipment, Furniture & Vehicles	(9,867,530)	(411,803)	2,942,908	(7,336,425)
	(30,422,075)	(2,313,189)	2,942,908	(29,792,356)
Harris Center for Mental Health and IDD capital assets, net	$ 28,639,673	$ 20,649,212	$ (35,463)	$ 49,253,422

The Harris Center for Mental Health and IDD records all governmental capital assets at cost, except for donated capital assets, which are recorded at acquisition cost on the date donated. Depreciation is reported at the government-wide level using the straight-line method over the estimated useful lives of the assets. The schedule included here does not include the capital assets of the Harris Center for Mental Health and IDD's discrete component units (a net value of $4,812,659).

Hospital District (February 28, 2022)	Fiscal Year Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Fiscal Year Ending Balance
Land & Improvements	$ 46,829,000	$ 487,000	$ -	$ 47,316,000
Construction in progress	79,032,000	50,719,000	-	129,751,000
Total capital assets not depreciated	125,861,000	51,206,000	-	177,067,000
Buildings and Improvements	722,584,000	6,750,000	(342,000)	728,992,000
Equipment	420,188,000	48,818,000	(22,220,000)	446,786,000
	1,142,772,000	55,568,000	(22,562,000)	1,175,778,000
Less accumulated depreciation	(742,149,000)	(50,405,000)	-	(792,554,000)
	(742,149,000)	(50,405,000)	-	(792,554,000)
Total capital assets being depreciated, net	400,623,000	5,163,000	(22,562,000)	383,224,000
Hospital District capital assets, net	$ 526,484,000	$ 56,369,000	$ (22,562,000)	$ 560,291,000

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

7. OTHER LIABILITIES

As of February 28, 2022, the Toll Road vouchers payable balance includes the following amount due to other governmental units.

Receivable Entity	Payable Entity	
Fort Bend	Toll Road	$ 4,566,638
North Texas Toll Authority	Toll Road	5,518,105
Texas Turnpike Authority	Toll Road	13,212,169
Metropolitan Transit Aurhority	Toll Road	386,238
Montgomery County Toll Road Authority	Toll Road	985,753
Central Texas Regional Mobility Authority	Toll Road	1,378,129
Brazoria County Toll Road Authority	Toll Road	906,255
Total Due to Other Governmental Units		$26,953,287

8. LONG-TERM LIABILITIES

The changes in the County's Governmental Long-Term Liabilities and Business-Type Liabilities for fiscal year 2022 were as follows:

	Outstanding March 1, 2021	Issued/ Increased	Redeemed/ Decreased	Outstanding February 28, 2022	Due Within Year
Governmental Activities:					
General Obligation Debt					
Road Bonds - Principal	$ 522,335,000	$ 60,405,000	$ (51,965,000)	$ 530,775,000	$ 41,080,000
Permanent Improvement Bonds - Principal	616,177,124	127,390,000	(76,455,000)	667,112,124	51,310,000
Flood Control Bonds - Principal	713,005,000	256,455,000	(36,805,000)	932,655,000	40,695,000
Total Principal General Obligation Debt	1,851,517,124	444,250,000	(165,225,000)	2,130,542,124	133,085,000
Unamortized Premiums, Road Bonds	55,471,789	7,206,229	(10,713,757)	51,964,261	-
Unamortized Premiums, PIB Bonds	75,135,584	27,270,768	(14,860,216)	87,546,136	-
Unamortized Premiums, FC Bonds	94,460,663	56,988,938	(14,308,375)	137,141,226	-
GO Revenue Series 2002	33,915,753	3,041,801	-	36,957,554	-
Total General Obligation Debt	2,110,500,913	538,757,736	(205,107,348)	2,444,151,301	133,085,000
Tax and Subordinate Lien Revenue Bonds					
Tax and Subordinate Lien Revenue					
Refunding, Series 2012A	$ 146,045,000	$ -	$ (15,095,000)	$ 130,950,000	$ 15,875,000
Refunding, Series 2019B	9,365,000	-	(2,965,000)	6,400,000	3,120,000
Unamortized Premium, Tax & Sub Lien Rev	14,274,281	-	(2,232,632)	12,041,649	-
Total Tax and Subordinate Lien Revenue Bonds	169,684,281	-	(20,292,632)	149,391,649	18,995,000
Total Bonds Payable	2,280,185,194	538,757,736	(225,399,980)	2,593,542,950	152,080,000
Commercial Paper Payable	297,792,000	531,333,000	(637,600,000)	191,525,000	938,164
Compensatory Time Payable	46,015,400	55,392,149	(50,563,674)	50,843,875	25,328,804
Judgments Payable	5,750,000	-	(3,950,000)	1,800,000	-
Loan Payable	27,921,034	23,995,735	(16,031,264)	35,885,505	1,519,020
Net OPEB Liability	3,325,434,127	426,997,173	-	3,752,431,300	61,588,000
Net Pension Liability	699,483,726	-	(699,483,726)	-	-
Pollution Remediation Obligation	3,337,466	1,826,670	-	5,164,136	58,722
Total Governmental Activities	$ 6,685,918,947	$ 1,578,302,463	$(1,633,028,644)	$ 6,631,192,766	$ 241,512,710

	Outstanding March 1, 2021	Issued/ Increased	Redeemed/ Decreased	Outstanding February 28, 2022	Due Within Year
Business-type Activities:					
Senior Lien Revenue Bonds	$ 1,670,505,000	$ -	$ (31,655,000)	$ 1,638,850,000	$ 57,080,000
Senior Lien Revenue Bonds (Private Placement)	48,230,000	-	(48,230,000)	-	-
First Lien Revenue Bonds	424,925,000	-	(4,830,000)	420,095,000	6,955,000
Tax Bonds	191,020,000	-	(19,445,000)	171,575,000	20,240,000
Total Bond Principal	2,334,680,000	-	(104,160,000)	2,230,520,000	84,275,000
Unamortized Premium, Senior Revenue Bonds	179,858,927	-	(19,436,386)	160,422,541	-
Unamortized Premium, First Revenue Bonds	92,302,429	-	(7,008,169)	85,294,260	-
Unamortized Premium, Tax Bonds	5,509,157	-	(810,453)	4,698,704	-
Accrued Interest Payable	6,096,645	100,234,716	(102,267,521)	4,063,840	4,063,840
Total Bonds Payable	2,618,447,158	100,234,716	(233,682,529)	2,484,999,345	88,338,840
Compensatory Time Payable	1,377,778	1,351,177	(1,205,502)	1,523,453	749,903
Net OPEB Liability	148,055,587	21,846,779	-	169,902,366	2,306,000
Net Pension Liability	25,706,453	-	(25,706,453)	-	-
Hedging derivative instruments	-	39,298,374	-	39,298,374	-
Pollution Remediation Obligation	333,000	-	(333,000)	-	-
Total Business-type Activities	$ 2,793,919,976	$ 162,731,046	$ (260,927,484)	$ 2,695,723,538	$ 91,394,743

A. BONDED DEBT

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

Outstanding governmental bonded debt as of February 28, 2022 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2022
Road Bonds					
Refunding Series 2012A	66,425,000	5.00%	2012	2024	66,425,000
Refunding Series 2012B	52,815,000	2.25-4.00%	2012	2024	15,935,000
Refunding Series 2014A	195,905,000	5.00%	2014	2034	134,550,000
Refunding Series 2015A	202,680,000	2-5.00%	2015	2031	201,090,000
Refunding Series 2017A	35,580,000	4.00-5.00%	2017	2031	35,580,000
Refunding Series 2019A	48,745,000	4.00-5.00%	2019	2023	16,790,000
Refunding Series 2021	60,405,000	2-5.00%	2021	2046	60,405,000
	662,555,000				530,775,000
Permanent Improvement Bonds					
Refunding Series 2012A	77,145,000	2.00-5.00%	2012	2028	56,245,000
Refunding Series 2012B	43,200,000	0.35-2.473%	2012	2023	12,090,000
Refunding Series 2015A	191,370,000	3.00-5.00%	2015	2040	144,425,000
Refunding Series 2015B	50,095,000	2.00-5.00%	2015	2027	15,300,000
Refunding Series 2017A	137,945,000	4.00-5.00%	2017	2043	117,965,000
Refunding Series 2019A	7,810,000	5.00%	2019	2027	7,810,000
Refunding Series 2020A	221,455,000	3.00-5.00%	2020	2045	168,215,000
Refunding Series 2021	29,095,000	2.25-5.00%	2021	2046	29,095,000
Refunding Series 2021A	98,295,000	3.00-5.00%	2021	2047	98,295,000
GO Revenue Refunding 2002	206,772,045	5.00-5.86%	2002	2028	17,672,124
	1,063,182,045				667,112,124
Flood Control Bonds					
Refunding Series 2014	36,590,000	2.00-5.00%	2014	2026	36,200,000
Refunding Series 2014A	60,100,000	1.00-5.00%	2014	2029	58,225,000
Refunding Series 2014B	73,665,000	0.25-3.211%	2014	2024	22,175,000
Refunding Series 2015A	46,875,000	3.00-5.00%	2015	2030	46,875,000
Refunding Series 2015B	30,145,000	3.00-5.00%	2015	2030	30,145,000
Refunding Series 2017A	168,100,000	4.00-5.00%	2017	2039	167,155,000
Refunding Series 2019A	86,965,000	4.00-5.00%	2019	2024	70,055,000
Refunding Series 2020A	251,195,000	3.00-5.00%	2020	2045	245,370,000
Refunding Series 2021A	256,455,000	1.00-5.00%	2021	2046	256,455,000
	1,010,090,000				932,655,000
Tax & Subordinate Lien Revenue Bonds					
Refunding Series 2012A	160,430,000	3.00-5.00%	2012	2032	130,950,000
Refunding Series 2019B	12,205,000	4.00-5.00%	2019	2023	6,400,000
	172,635,000				137,350,000
TOTAL	$ 2,908,462,045				$ 2,267,892,124

Per Article III, Section 52 of the Texas Constitution, the amount of applicable bonds that may be issued is limited to 25% of the assessed valuation of real property of the County. The total net debt applicable to the limit as of February 28, 2022 is approximately $663.6 million. The legal debt limit is approximately $151.6 billion (25% of real property assessed value) for the fiscal year ending February 28, 2022.

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

Outstanding business-type bonded debt at February 28, 2022 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2022
Senior Lien Revenue Bonds					
Refunding Series 2007B	$ 145,570,000	Floating	2007	2036	$ 145,570,000
Refunding Series 2012C	252,845,000	4.00-5.00%	2012	2033	229,695,000
Refunding Series 2015B	161,575,000	5.00%	2015	2036	153,325,000
Refunding Series 2016A	530,105,000	2.75-5.00%	2016	2047	514,265,000
Refunding Series 2018A	559,900,000	4.00-5.00%	2018	2048	516,245,000
Refunding Series 2019A	90,255,000	3.00-5.00%	2019	2049	79,750,000
	1,740,250,000				1,638,850,000
First Lien Revenue Bonds					
Refunding Series 2021	424,925,000	3.00-5.00%	2021	2050	420,095,000
	424,925,000				420,095,000
Unlimited Tax and Subordinate Lien Bonds					
Refunding Series 1997	150,395,000	5.00-5.125%	1997	2024	26,005,000
Refunding Series 2007C	321,745,000	5.00-5.25%	2007	2033	145,570,000
	472,140,000				171,575,000
TOTAL	$ 2,637,315,000				$ 2,230,520,000

Annual debt service requirements to maturity as of February 28, 2022 are as follows:

Fiscal year	Principal At 2/28/2022	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2023	$ 152,080,000	$ -	$ 152,080,000	$ 104,203,380	$ 256,283,380
2024	131,285,806	10,046,215	141,332,021	107,554,702	248,886,723
2025	175,487,279	9,524,158	185,011,437	101,887,205	286,898,642
2026	150,252,279	9,004,439	159,256,718	93,839,516	253,096,234
2027	164,110,000	-	164,110,000	74,596,045	238,706,045
2028-2032	687,064,736	8,382,742	695,447,478	271,235,114	966,682,592
2033-2037	331,410,000	-	331,410,000	130,615,588	462,025,588
2038-2042	271,805,000	-	271,805,000	67,421,893	339,226,893
2043-2047	198,420,000	-	198,420,000	22,737,788	221,157,788
2048-2052	6,250,000	-	6,250,000	250,000	6,500,000
	$ 2,268,165,100	$ 36,957,554	$ 2,305,122,654	$ 974,341,231	$ 3,279,463,885

	Business-Type Activities		
Fiscal year	Principal	Interest	Total
2023	$ 84,275,000	$ 101,807,216	$ 186,082,216
2024	88,015,000	97,459,347	185,474,347
2025	91,935,000	92,919,378	184,854,378
2026	86,470,000	88,423,406	174,893,406
2027	88,790,000	84,036,706	172,826,706
2028-2032	505,565,000	348,047,662	853,612,662
2033-2037	546,100,000	212,559,791	758,659,791
2038-2042	278,210,000	125,109,425	403,319,425
2043-2047	293,715,000	64,704,250	358,419,250
2048-2051	167,445,000	9,828,425	177,273,425
	$ 2,230,520,000	$ 1,224,895,606	$ 3,455,415,606

COVENANTS AND CONDITIONS

The Senior Lien Revenue Bonds and First Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds and First Lien Revenue Bonds. The Toll Road Authority ("Toll Road") has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds and First Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 4.46 as of February 28, 2022.

B. COMMERCIAL PAPER

In addition to the outstanding bonded debt of the County, the Commissioners Court has established a general obligation commercial paper program secured by ad valorem taxes for the purpose of financing various short-term assets and temporary construction financing for certain long-term capital assets. During fiscal year 2022, the commercial paper program consisted of nine series totaling $1.775 billion, of which $200 million are payable from Toll Road revenues and $1.575 billion are payable from ad valorem taxes levied. As of February 28, 2022, the County has outstanding, $191.525 million of commercial paper. Commissioners Court, by policy, limits the period allowed for a commercial paper project not to exceed three years. During the length of time the paper is outstanding, the paper may have a maturity term of 1 – 270 days.

The County enters into agreements with credit facilities to provide a line of credit that will act as assurance to the purchaser of the commercial paper that funds will be available to redeem the paper upon demand and that the County can rollover the commercial paper. For Commercial Paper Series A-1, the County has a credit agreement with State Street Bank and Trust Company, which expires August 19, 2027. For this line of credit, the County is assessed a fee of .255% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount for Series A-1 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series B, the County has a credit agreement with State Street Bank and Trust Company, which expires August 19, 2027. For this line of credit, the County is assessed a fee of .255% per annum on the daily amount of commitment. If converted to a term loan, the principal amount for Series B is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series C, the County has a credit agreement with the SMBC, which expires January 10, 2025. For this line of credit, the County is assessed a fee of .20% per annum on the daily amount of commitment. If converted to a term loan, the principal amount for Series C is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series D, the County has a credit agreement with JPMorgan Chase Bank, National Association, which expires August 19, 2025. For this line of credit the County is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable quarterly in arrears, at a rate per annum equal to the bank rate, provided that the principal amount of any term loan not paid when due shall bear interest at a rate per annum equal to the lesser of (A) the default rate (fluctuating rate of per annum interest equal to the greater of (i) the base rate plus 2.00% or (ii) the federal funds rate plus 2.00%) and (B) the highest lawful rate.

For Commercial Paper Series D-2, the County has a credit agreement with State Street Bank and Trust Company, which expires November 13, 2024. For this line of credit the County is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D-2 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 3.0% per annum.)

For Commercial Paper Series D-3, the County has a credit agreement with Wells Fargo Bank, which expires November 12, 2024. For this line of credit the County is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D-3 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 3.0% per annum.)

For Commercial Paper Series J-1, the County has a credit agreement with Bank of America, which expires July 1, 2023. For this line of credit the County is assessed a fee of .25% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series J-1 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 4.0% per annum).

COMMERCIAL PAPER – FLOOD CONTROL

On November 14, 2017, Commissioners Court authorized a $64,000,000 commercial paper program designated as the Harris County Flood Control District Limited Tax Commercial Paper Notes, Series H ("Series H Notes") secured by the District ad valorem taxes, to fund certain Flood Control projects of the District. On October 9, 2018, Commissioners Court authorized to increase the program amount of the Series H Notes from $64,000,000 to $250,000,000. On October 29, 2019, Commissioners court authorized to increase the program amount of the Series H Notes from $250,000,000 to $500,000,000. There was $0 of commercial paper outstanding at February 28, 2022.

The District has a credit agreement with JP Morgan Chase Bank, which expires December 10, 2024. For this line of credit, the District is assessed a fee of .24% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount of Series H shall be due and payable in substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date.

COMMERCIAL PAPER – TOLL ROAD

In addition to the outstanding long-term debt of the Toll Road, the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. In 2017, Commissioners Court authorized two additional commercial paper programs, for $200 million each, designated as Harris County Toll Road Senior Lien Revenue Commercial Paper Notes, Series E-1 and Series E-2 respectively ("Series E-1 and E-2 Notes") to finance capital projects of the Toll Road. On May 31, 2021 Series E-2 was subsequently terminated. On May 2, 2022, Series E-1 was also terminated. Commissioners Court authorized a new commercial paper program in 2022, for $200 million, designated as the Harris County Toll Road System First Lien Revenue Commercial Paper Notes, Series K, to finance capital projects of Toll Road. As of February 28, 2022, Toll Road has no outstanding Commercial Paper.

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 expired 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 Letter of Credit Reimbursement Agreement (the "Series K Letter of Credit") with PNC Bank, National Association, whereby the Bank supports the Series K Notes by issuing a letter of credit in the original stated amount of $214,794,521 (representing an amount supporting the total aggregate principal amount of $200,000,000 plus $14,794,521 which is 270 days' accrued interest on such principal amount at the rate of ten percent (10%) per annum computed on a 365 day basis) for the timely payment of the principal of and interest on the Series K Notes at maturity. The Series K Letter of Credit expires April 22, 2025. For this reimbursement agreement the Authority will be assessed a fee of 0.25% per annum on the stated amount of the letter of credit. The Authority also agrees to pay the Bank a non-refundable drawing fee of $350 for each drawing under the letter of credit. If converted to a term loan, the principal amount of each term loan will be paid in twelve (12) substantially equal quarterly installments on each Amortization Payment Date, commencing with the first such installment on the Term Loan Commencement Date.

DEBT SERVICE TO MATURITY - COMMERCIAL PAPER

Expected debt service requirements for the various Commercial Paper issuances are shown below. These requirements assume that as of February 28, 2022, the County had drawn down the outstanding principal balance on the lines of credit and letter of credit and subsequently executed term loans with the banks for a principal balance of $191,525,000 at the average rate for the quarter ending February 28, 2022 by series and reflect the effects of any refundings.

	Governmental Activities		
Fiscal year	Principal	Interest	Total
2023	-	938,164	938,164
2024	8,329,167	3,198,978	11,528,145
2025	8,641,666	1,964,146	10,605,812
2026	28,658,333	13,881,353	42,539,686
2027	55,512,500	17,609,349	73,121,849
2028	55,541,667	9,202,837	64,744,504
2029	34,841,667	1,792,577	36,634,244
	$ 191,525,000	$ 48,587,404	$ 240,112,404

C. COMPONENT UNITS' LONG-TERM LIABILITIES

The County has no obligation to assume any liability for the bonds issued by any of the discretely presented component units. The total long-term liabilities of the Harris Center for Mental Health and IDD were $8,502,180, of which $8,141,453 represents long-term liabilities of the primary government related to compensated absences as of August 31, 2021 which comprises less than 1% of the total long-term liabilities of the County's discretely presented component units.

The total long-term liabilities of the Harris County Hospital District were $934,416,000 as of February 28, 2022 which comprises over 99% of the total long-term liabilities of the County's discretely presented component units. A portion of this liability is bonds secured by a lien on the pledged revenues of the Harris County Hospital District and certain funds pursuant to the bond order.

The Harris County Hospital District also has defeased bonds, in the amount of $60,000,000 whereby the proceeds are held as irrevocable deposits of funds sufficient with trustees to pay the principal and interest of such bonds through their maturity. Accordingly, these trustee funds and the related defeased indebtedness are excluded from the Harris County Hospital District's balance sheet as of February 28, 2022.

D. COMPONENT UNITS' CONDUIT DEBT OBLIGATIONS

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

Harris County Industrial Development Corporation

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

As of August 31, 2021, there was one (1) series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable as of August 31, 2021 for the bonds issued after September 1, 1996, was approximately $25,000,000.

Harris County Housing Finance Corporation

As of December 31, 2021 there were seventeen (17) series of bonds outstanding with an aggregate principal payable of $208,468,247. These bonds have been issued by the Housing Finance Corporation to provide financing for the purpose of multifamily home projects for low and moderate income owners/residents, and will be repaid from sources defined in the various underlying financing agreements between the Housing Finance Corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation

The corporation issues bonds if there is a public benefit or public purpose that is necessary or convenient for health care, research or education. As of February 28, 2022, there were five (5) series of bonds outstanding with an aggregate principal payable of $442,425,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the Health Facilities Development Corporation and the entities for whose benefit the bonds were issued.

Harris County Cultural Education Facilities Finance Corporation

As of February 28, 2022, there were fifty-five (55) series of Bonds outstanding with an aggregate principal payable of $5,016,158,000. The bonds were issued for the purpose of defraying expansion costs, for Space Center Houston projects, Baylor College of Medicine, Memorial Hermann Healthcare System, Methodist Hospital System, Texas Medical Center projects and the Young Men's Christian Association (YMCA) of the Greater Houston Area and others. The bonds will be repaid from payments required to be made under loan agreements between the issuing entity and the aforementioned parties.

E. UNISSUED AUTHORIZED BONDS

Capital projects are funded primarily by the issuance of bonded debt. The County has received voter approval for the issuance of bonds to maintain an ongoing capital improvement program.

The following is the summary of authorized, issued and unissued bonds and commercial paper:

Description	Year of Voter Authorization	Amount Authorized	Issued as of 2/28/2022	Authorized but Unissued as of 2/28/2022
Ad Valorem Tax Bonds		(amounts in millions)		
Toll Road	1983	$ 900.0	$ 884.9	$ 15.1
Civil Justice Center	1999	119.0	86.0	33.0
Forensic Lab	2007	80.0	74.8	5.2
Family Law Center	2007	70.0	-	70.0
Parks	2015	60.0	20.8	39.2
Roads	2015	700.0	80.1	619.9
Flood	2018	2,500.0	548.0	1,952.0
Total Ad Valorem Tax Bonds		$ 4,429.0	$ 1,694.6	$ 2,734.4

F. REFUNDING/ISSUANCE OF DEBT

On March 1, 2021, the County released $3,500,000 in US Treasury note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On March 1, 2021, the County released $2,500,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 6, 2021, the County released $12,500,000 in US Treasury note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 6, 2021, the County pledged an additional $12,500,000 in US Treasury bill to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 6, 2021, the County released $1,000,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 5, 2021, the County utilized Ad Valorem tax funds to partially defease $30,000,000 in Series A-1 Commercial Paper notes, $23,300,000 in Series D Commercial Paper notes, and

$40,000,000 of Series D-2 Commercial Paper notes.

On July 1, 2021, the Commercial Paper Series J-1 program amount was reduced from $375 million to $75 million.

On July 8, 2021, the County pledged an additional $1,000,000 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 July 20, 2021, the County pledged an additional $1,000,000 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 August 5, 2021, the County issued $256,455,000 in Flood Control District Improvement Refunding Bonds, Series 2021A, to defease $312,000,000 of the County's outstanding Flood Control District Limited Tax Commercial Paper Notes, Series H, and to pay the cost of such issuance. The annual interest rates range from 1.00% to 5.00%. The issuance had a premium of $56,988,938. The interest accrues semiannually and the bonds mature in 2046. No savings or economic loss is recognized due to the defeasance of commercial paper. The refunding resulted in no savings or economic benefit. Also, the County defeased $28,300,000 in Flood Control District Limited Tax Series H Commercial Paper notes.

On August 19, 2021, the County issued $29,095,000 in Permanent Improvement Refunding Bonds, Series 2021, to refund a portion of the County's outstanding Permanent Improvement Refunding Bonds, Series 2011A, to defease a portion of the General Obligation Commercial Paper Notes, Series A-1 and D-2, and to pay the cost of such issuance. The annual interest rates range from 2.250% to 5.00%. The issuance had a premium of $4,871,744. The interest accrues semiannually and the bonds mature in 2046. The refunding resulted in savings of $819,406 due to a decrease in cash flow requirements and had an economic gain of $783,542.

On August 19, 2021, the County issued $60,405,000 in Unlimited Tax Road Refunding Bonds, Series 2021, to refund a portion of the County's outstanding Unlimited Tax Road Refunding Bonds, Series 2011A, to defease a portion of the General Obligation Unlimited Tax Commercial Paper Notes, Series C and to pay the cost of such issuance. The annual interest rates range from 2.00% to 5.00%. The issuance had a premium of $7,206,229. The interest accrues semiannually and the bonds mature in 2046. The refunding resulted in savings of $3,368,176 due to a decrease in cash flow requirements and had an economic gain of $3,221,516.

On August 28, 2021, the County utilized revenue funds to partially defease $28,300,000 in Series H Commercial Paper notes.

On October 25, 2021, the County released $1,500,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On December 17, 2021, the County issued $98,295,000 in Permanent Improvement Refunding Bonds, Series 2021A, to defease a portion of the General Obligation Commercial Paper Notes, Series A-1, D, and D-2, and to pay the cost of such issuance. The annual interest rates range from 3.00% to 5.00%. The issuance had a premium of $22,399,024. The interest accrues semiannually and the bonds mature in 2047. No savings or economic loss is recognized due to the defeasance of commercial paper. The refunding resulted in no savings or economic benefit.

On January 20, 2022, the County released $10,900,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On January 20, 2022, the County pledged an additional $9,000,000 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 February 24, 2022, the County released $12,500,000 in US Treasury bill pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On February 24, 2022, the County pledged an additional $12,500,000 in US Treasury bill to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On February 28, 2022, the County utilized Ad Valorem tax funds to partially defease $4,000,000 in Series J-1 Commercial Paper notes.

G. DEFEASANCE OF DEBT

In fiscal year 2022 and in prior years, the County has defeased certain property tax bonds, revenue bonds, certificates of obligation and Toll Road revenue bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. The trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements.

As of February 28, 2022, the outstanding principal balance of these defeased bonds was as follows:

Property Tax Bonds:	Road	$ 522,945,000
	Permanent Improvement	683,085,000
Flood Control:	Flood Control	668,705,000
Certificates of Obligation:	General Obligation	13,450,000
Tax & Subordinate Lien Bonds:	Tax & Subordinate Lien	183,630,000
Toll Road Bonds:	Senior Lien Revenue Bonds	1,624,680,000
	Tax Bonds	181,390,000
Total Defeased Bonds		$ 3,877,885,000

H. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. As of February 28, 2022, there were no liabilities for arbitrage rebate on governmental debt or enterprise debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

I. INTEREST RATE SWAPS TOLL ROAD: The County entered interest rate swaps with Citibank, N.A., New York, and JP Morgan Chase Bank, National Association, relating to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

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 02/28/22:	($19,649,187)	($19,649,187)
Collateral Pledged:	$12,500,000 (c)	$9,000,000 (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 $67,000,000.
(c) The County pledged a $12.5 million US Treasury bill with a $50,000,000 par, at .055% 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 $9.0 million US Treasury note with a $40,000,000 par at .125% 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 $19,649,187, which is based on a fair value calculation.	The exposure to the County is $19,649,187, which is based on a fair value calculation.

J. SUBSEQUENT DEBT RELATED ACTIVITY

On March 24, 2022, the County released $3,000,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 12, 2022, the County released $2,300,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 31, 2022, the County utilized Ad Valorem tax funds to partially defease $28,800,000 in Series A-1 Commercial Paper notes, $35,000,000 in Series D Commercial Paper notes, and $25,000,000 of Series D-2 Commercial Paper notes.

On June 10, 2022, the County released $1,000,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 21, 2022, the County issued $194,030,000 in Toll Road First Lien Revenue Refunding Bonds, Series 2022A, to refund the County's outstanding Toll Road Senior Lien Revenue Bonds, Series 2012C and to pay cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $30,322,620. The interest accrues semiannually and the bonds mature in 2033. The refunding resulted in savings of $41,364,200 due to a decrease in cash flow requirements and had an economic gain of $35,313,389.

On July 27, 2022, the County issued $86,855,000 in Permanent Improvement Refunding Bonds, Series 2022A, to refund a portion of the County's outstanding Permanent Improvement Refunding Bonds, Series 2012A, to defease a portion of the General Obligation Commercial Paper Notes, Series D and D-2, and to pay the cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $8,469,705. The interest accrues semiannually and the bonds mature in 2031. The refunding resulted in savings of $3,608,167 due to a decrease in cash flow requirements and had an economic gain of $3,438,144.

On July 27, 2022, the County issued $237,650,000 in Unlimited Tax Road Refunding Bonds, Series 2022A, to refund a portion of the County's outstanding Unlimited Tax Road Refunding Bonds, Series 2012A, to defease a portion of the General Obligation Unlimited Tax Commercial Paper Notes, Series C and D-3 and to pay the cost of such issuance. The annual interest rates range from 4.00% to 5.00%. The issuance had a premium of $18,638,023. The interest accrues semiannually and the bonds mature in 2047. The refunding resulted in savings of $2,815,344 due to a decrease in cash flow requirements and had an economic gain of $2,712,262.

On July 27, 2022, the County issued $99,420,000 in Tax and Subordinate Lien Revenue Refunding Bonds, Series 2022A, to refund a portion of the County's outstanding Tax and Subordinate Lien Revenue Refunding Bonds, Series 2012A, and to pay the cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $16,436,394. The interest accrues semiannually and the bonds mature in 2032. The refunding resulted in savings of $21,452,388 due to a decrease in cash flow requirements and had an economic gain of $18,158,027.

On August 1, 2022, the County released $10,000,000 in US Treasury bill pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

9. RETIREMENT PLAN

Plan Description. Harris County provides retirement, disability, and survivor benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). Harris County Sports & Convention Corporation ("HCSCC") also provides retirement, disability, and survivor benefits for all of its employees through a separate nontraditional defined benefit pension plan also in the statewide TCDRS.

Both plans are accounted for as an agent multiple-employer defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis. The annual report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

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

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

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

Benefits are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these credits is approved by the HCSCC Board within the actuarial constraints imposed by the TCDRS Act. As a result, benefits can be expected to be adequately financed by HCSCC's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. HCSCC's current match is 225%.

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

	County		HCSCC	
	12/31/20	12/31/21	12/31/20	12/31/21
Inactive employees or beneficiaries currently receiving benefits	9,753	10,196	1	1
Inactive employees entitled but not yet receiving benefits	9,346	9,800	0	1
Active employees	19,401	19,921	7	6
Total	38,500	39,917	8	8

Contributions.

The County has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The County contributed using an actuarially determined rate of 15.1% of covered payroll for the months of the calendar year 2020, 2021 and the first 2 months of 2022. HCSCC contributed using an actuarially determined rate of 11.8% of covered payroll for the months of the calendar year 2020, 2021 and the first 2 months of 2022.

The contribution rate payable by the employee members for 2021 and 2022 is 7% as adopted by Commissioners Court and as approved by the HCSCC Board. The Harris County employee contribution rate and the employer contribution rate may be changed by Commissioners Court, and the HCSCC employee and HCSCC contribution rates may be changed by the HCSCC Board, both within the options available in the TCDRS Act.

Actuarial Assumptions. For the fiscal year ending February 28, 2022, the net pension (asset)/liability was measured as of December 31, 2021, and the total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Neither plan has an automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plans may elect an ad-hoc COLA for its retirees.

The annual salary increases rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.

Mortality rates for depositing members were based on the Pub-2010 General Retirees Table for males and females as appropriate. Service retirees, beneficiaries, and non-depositing members were based on Pub-2010 General Retirees Amount-Weighted Mortality for males and females as appropriate. Disabled retirees were based on Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and females as appropriate.

The actuarial cost method was Entry Age Normal, as required by GASB No. 68. The actuarial assumptions used in the December 31, 2021 valuation for the County were developed from an actuarial experience investigation of TCDRS over the years 2017-2020, except where required to be different by GASB No. 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2022 information for a 10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2021 and reviewed annually for continued compliance with relevant standards of practice. The following target asset allocation was adopted by the TCDRS board in March 2021. The geometric real rate of return is net of inflation, assumed at 2.6%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed	5.00%	3.80%
International Equities - Emerging	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 7.6%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability ("UAAL") shall be amortized as a level percent of pay over 20-year 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 (asset)/liability of the employer is equal to the long-term assumed rate of return on investments.

Changes in Net Pension Liability/(Asset):

Harris County
(amounts in thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2020	$ 7,669,725	$ 6,926,061	$ 743,664
Changes for the year:			
Service cost	199,137	-	199,137
Interest on total pension liability	583,779	-	583,779
Effect of economic/demographic gains or loss	(8,769)	-	(8,769)
Effect of assumptions changes or inputs	4,607	-	4,607
Refund of contributions	(14,058)	(14,058)	-
Benefit payments	(368,054)	(368,054)	-
Administrative expenses	-	(4,504)	4,504
Member contributions	-	88,129	(88,129)
Net investment income	-	1,509,284	(1,509,284)
Employer contributions	-	189,304	(189,304)
Other	-	(1,049)	1,049
Balances as of December 31, 2021	$ 8,066,367	$ 8,325,113	$ (258,746)

HCSCC

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2020	$ 667,183	$ 781,442	$ (114,259)
Changes for the year:			
Service cost	136,535	-	136,535
Interest on total pension liability	60,992	-	60,992
Effect of economic/demographic gains or losses	(69,750)	-	(69,750)
Effect of assumptions changes or inputs	(1,089)	-	(1,089)
Benefit payments	(2,444)	(2,444)	-
Administrative expenses	-	(600)	600
Member contributions	-	51,691	(51,691)
Net investment income	-	187,287	(187,287)
Employer contributions	-	86,840	(86,840)
Other	-	4,071	(4,071)
Balances as of December 31, 2021	$ 791,427	$ 1,108,287	$ (316,860)

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

	Harris County (amounts in thousands)			HCSCC		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 9,142,862	$ 8,066,367	$ 7,163,755	$ 914,550	$ 791,428	$ 688,734
Fiduciary net position	8,325,113	8,325,113	8,325,113	1,108,288	1,108,288	1,108,288
Net pension (asset)/liability	$ 817,749	$ (258,746)	$ (1,161,358)	$(193,738)	$(316,860)	$(419,554)

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

<u>Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions.</u> For the measurement period ending December 31, 2021, the County recognized pension income of $21,096,086 and HCSCC recognized pension expense of $47,977. As of February 28, 2022, the County and HCSCC reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Harris County

(amounts in thousands)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 10,841	$ 18,187
Changes of assumptions	-	298,977
Net difference between projected and actual earnings	948,771	-
Contributions made subsequent to the measurement date	-	29,645
	$ 959,612	$ 346,809

HCSCC

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 91,961	$ 41,673
Changes of assumptions	933	36,898
Net difference between projected and actual earnings	106,876	-
Contributions made subsequent to the measurement date	-	12,565
	$ 199,770	$ 91,136

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

Year ended December 31:	Harris County (amounts in thousands)	HCSCC
2022	$ (128,953)	$ (29,065)
2023	(242,945)	(35,419)
2024	(148,866)	(30,171)
2025	(121,684)	(32,606)
2026	-	(24)
Thereafter	-	6,086
Total	$ (642,448)	$ (121,199)

Payable to the Pension Plan. At February 28, 2022, the County and HCSCC reported payables of $22,224,064 and $10,022, respectively, for the outstanding amount of contributions to the pension plan. Pensions are liquidated from the General Fund.

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, 2021 is $18,473,747 and net pension asset for February 28, 2022 is $5,639,902.

The deferred inflows and outflows reported for CS at February 28, 2022 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 236	$ 396
Changes of assumptions	-	6,517
Net difference between projected and actual earnings	20,680	-
Contributions made subsequent to the measurement date	-	624
	$ 20,916	$ 7,537

For the measurement period ended December 30, 2021, CS recognized pension income of $1,857,701. The RSI following the notes to the financial statements contains: the schedule of changes in the County's net pension (asset)/liability and related ratios, and the schedule of County contributions.

10. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

THE PLAN:

Plan Description. Harris County administers an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating governmental entities. The employers in the plan are: the Harris County, Flood Control District, Toll Road, Juvenile Board, Community Supervision, and Emergency 911. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioners Court. Harris County's defined OPEB plan is not considered a trust.

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

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

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

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

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

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

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

Changes pursuant to Commissioners Court Order dated September 26, 2006:
1. Current retirees are grandfathered under the contribution rule under which they retired;
2. Employees who were eligible to retire by February 28, 2011 are grandfathered under the rule they would have been entitled to had they retired as of that date;
3. All other employees must have age plus service of at least 80 points or be at least age 65 and have at least 10 years of creditable County service to receive 100% of the County approved contribution for retiree and dependent coverage. They must also pay a contribution for retiree healthcare prior to

Medicare eligibility as determined by the Commissioners Court each year. In 2016, Commissioners Court approved this amount to be $100; and
4. Employees hired after February 28, 2007 must pay a monthly contribution for retiree healthcare as determined by the Commissioners Court each year. The Court's policy also required this group of retirees to pay the full premiums (for both retiree and dependents) for all coverages.

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

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

Retiree Healthcare Contribution Policy Update dated October 23, 2018:
The following contribution rules are effective March 1, 2019.

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

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

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

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

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

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

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

Plan membership. At March 1, 2020, the most recent valuation date, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	5,652
Active plan members	17,223
	22,875

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 Total OPEB Liability was measured as of February 28, 2022 and was determined by an actuarial valuation as of March 1, 2020. 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:

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent wage inflation plus TCDRS merit scale
Inflation rate	2.75 percent
Healthcare cost trend rate	5.60 percent for 2022, 5.40 percent for 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070 and later years.
Preretirement Mortality	2020 TCDRS Mortality
Postretirement Mortality	2020 TCDRS Mortality

Actuarial assumptions used in the March 1, 2020 valuation were based on a review of plan experience during the period March 1, 2018 to February 29, 2020.

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

Reporting Date	Measurement Date	Fidelity GO AA 20 Years Municipal Index	Discount Rate
February 28, 2021	February 28, 2021	2.50%	2.50%
February 28, 2022	February 28, 2022	2.37%	2.25%

Schedule of Changes in Net OPEB Liability (March 1, 2021 to February 28, 2022).

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of March 1, 2021	$ 3,495,063,625	$ -	$ 3,495,063,625
Changes for the year:			
Service cost	209,842,719	-	209,842,719
Interest	91,781,504	-	91,781,504
Contributions – employer	-	67,710,324	(67,710,324)
Changes of assumptions	215,788,647	-	215,788,647
Benefit payments (i)	(67,710,324)	(67,710,324)	-
Balances as of February 28, 2022	$ 3,944,766,171	$ -	$ 3,944,766,171

(i) Includes $67,710,324 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of $0.

There was a large increase in the net OPEB liability mainly due to the increase in the changes of assumptions and service cost. This increase was due to the municipal bond index rates decreasing from fiscal year 2021 to fiscal year 2022.

Sensitivity of the Total 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current discount rate:

Harris County:	1% Decrease 1.25%	Discount Rate 2.25%	1% Increase 3.25%
Total OPEB liability	$ 4,736,172,197	$ 3,944,766,171	$ 3,317,304,332

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

Harris County:	1% Decrease[a]	Trend Rate	1% Increase[b]
Total OPEB liability	$ 3,159,543,963	$ 3,944,766,171	$ 5,003,467,926

[a] 4.60 percent for 2022, 4.40 percent for 2023, 4.20 percent for 2024-2069, and 3.00 percent for 2070 and later years.

[b] 6.60 percent for 2022, 6.40 percent for 2023, 6.20 percent for 2024-2069, and 5.00 percent for 2070 and later years.

<u>OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB.</u> For the measurement period ending February 28, 2022, the County recognized OPEB expense of $465,923,928. At February 28, 2022, the County's deferred outflows of resources and deferred inflows of resources to OPEB from the following sources are:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 66,645,723
Changes in assumptions or other inputs	-	975,803,622
Total	$ -	$ 1,042,449,345

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

Year ended February 28/29:	Deferred Outflows/Inflows of Resources
2023	$ 164,299,705
2024	164,299,705
2025	164,299,705
2026	164,299,705
2027	164,299,705
2028	121,143,068
2029	77,986,425
2030	21,821,327
	$ 1,042,449,345

The above information includes five participating employers to the agent multiple employer defined benefit postemployment healthcare plan. Two of the employers, Community Supervision ("CS") and Emergency 911 ("911") are not considered departments or component units of the County. The net OPEB liability for CS and 911 at February 28, 2022 is $22,432,506.

The deferred inflows and outflows reported for CS and 911 at February 28, 2022 were:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 321,653
Changes in assumptions or other inputs	-	$ 4,709,525
Total	$ -	$ 5,031,178

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

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

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

11. RISK MANAGEMENT

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

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

The County is self-insured for workers' compensation claims and reimburses a third-party administrator who evaluates and pays claims in accordance with State statute. The County's workers' compensation self-insurance program provides medical and indemnity payments as required by law for job-related injuries. The liability for outstanding losses includes an actuarially determined amount for incurred but not reported claims. The County has an excess coverage insurance policy that activates when a claim reaches $800,000. Interfund premiums for workers' compensation are actuarially determined by claims expense experience and payroll history. For fiscal year ended 2022, the County experienced claims in excess of insurance coverage.

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

The Risk Management Fund (Workers' Compensation) is available to pay claims and administrative costs of the programs and to fund claim reserves. During fiscal year 2022, a total of $28,916,766 was paid in benefits and administrative costs. As of February 28, 2022, claims liability, including an actuarial estimate of claims that have been incurred but not reported and accrued unpaid claims administration, totaled $37,826,527.

The following is a summary of the changes in worker's compensation claims liability for the Risk Management Fund for the fiscal years 2022 and 2021:

	2022	2021
Claims liability, beginning of fiscal year	$ 26,437,515	$ 22,530,046
Incurred claims (including IBNRs)	18,705,985	11,394,483
Claim payments	(7,316,973)	(7,487,014)
Claims liablility, end of fiscal year	$ 37,826,527	$ 26,437,515

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

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

The following is a summary of the changes in medical insurance liability for the Health Insurance

Management Fund for the fiscal years 2022 and 2021:

	2022	2021
Claims liability, beginning of fiscal year	$ 53,581,835	$ 35,989,660
Incurred claims (including IBNRs)	362,570,757	338,186,825
Claim payments	(368,898,124)	(320,594,650)
Claims liablility, end of fiscal year	$ 47,254,468	$ 53,581,835

12. LANDFILL POSTCLOSURE CARE COST

Harris County operated three permitted and/or licensed landfills which were closed prior to October 1993 according to the rules and regulations at the time. All three sites have completed applicable post closure care requirements and are no longer owned by Harris County. A fourth site, a former unpermitted landfill, now known as Allison R. Peirce, Jr. Wetlands Nature Sanctuary, was part of an enforcement action by the County and acquired by the County to ensure that the site was appropriately remediated under Texas Commission on Environmental Quality ("TCEQ") requirements. The County received Supplemental Environmental Project ("SEP") funds as the primary funding of this project. The site has met the requirements of the TCEQ's Texas Risk Reduction Program. A "No Further Action" letter has been issued by the Texas Risk Reduction Program of the TCEQ for this site. A fifth site was acquired when Harris County Flood Control acquired land for a detention basin. When construction for the detention basin began several years ago, an unpermitted landfill was discovered. This landfill was capped per the requirements at the time. Currently, the Harris County Flood Control District has no regulatory requirement to remediate this site. The District is conducting additional soil and groundwater sampling and once the sampling activities are completed any necessary actions will be identified. The costs for this landfill are included with the pollution remediation obligation.

13. COMMITMENTS AND CONTINGENT LIABILITIES

POLLUTION REMEDIATION

The County is subject to numerous Federal, State and local environmental laws and regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The County recorded in the financial statements pollution remediation liabilities of $5,164,136. This includes $458,839 of Flood Control District liabilities. Additional costs, if any, are not expected to have a material effect on the financial condition of the County. The County primarily has ground water and air pollution remediation obligations. The liabilities were calculated based on historical expenditures and professional judgment. The liabilities are an estimate and are subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. There are a few potential pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable at this time. These obligations include examples, such as ground water plumes whose extent and reach of contamination is in the process of being delineated under regulatory requirements and thus corrective action has not yet been determined; obligations recently identified and/or not yet quantifiable; and a lawsuit for cost-recovery under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) where the matter is under litigation, large numbers of responsible parties have been identified, and cost have not been apportioned yet by the court. Although uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate.

LITIGATION

The County is involved in lawsuits and other claims in the ordinary course of operations. Such litigation includes lawsuits alleging personal injuries, discriminatory hiring and firing practices, claims from contractors for amounts under construction contracts, inverse condemnation claims, and various other liability claims. The outcome of most of these lawsuits and other claims are not presently determinable and the resolutions of these matters are not expected to have a material effect on the financial condition of the County. There are several civil cases that have resulted in settlements, consent decrees or are expected to have a financial impact on the County in subsequent fiscal years. Total liabilities of $1,800,000 for judgements payable have been recorded in the governmental activities of the Government-Wide financial statements.

OTHER

The County received significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any financial statements of the individual fund types included herein or on the overall financial position of the County as of February 28, 2022.

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

An amended agreement between Metro and the County related to the Westpark Corridor was approved by Commissioners Court on May 7, 2013. Per this agreement the County is obligated to reimburse Metro for certain increased project costs if incurred. The County's liability to Metro under the agreement shall not exceed the cap of $41 million and the escalation thereof. Ad valorem taxes are irrevocably pledged to the payment.

OPERATING LEASES

As of February 28, 2022, the County had several operating leases for office space. As of February 28, 22 the County's obligation for such annual rental payments, if the annual renewal option is exercised, is as follows:

Governmental Activities	
Fiscal year	Office Space
2023	$ 8,584,328
2024	5,431,828
2025	4,385,463
2026	3,484,929
2027	2,262,421
2028-2038	2,945,107
	$ 27,094,076

CONSTRUCTION COMMITMENTS

The County is committed under various contracts in connection with the construction of County facilities, buildings, and roads of $388,208,644. In addition, the County has construction commitments outstanding relating to the Toll Road of approximately $288,588,772.

ENCUMBRANCES

The County uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of February 28, 2022, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$ 200,848,752	$ -	$ 56,332,613	$ 257,181,365
Nonmajor Governmental	350,457,158	11,684,035	-	362,141,193
	$ 551,305,910	$ 11,684,035	$ 56,332,613	$ 619,322,558

14. REVENUE LEASES

OPERATING LEASES

The County is the lessor in several operating leases for certain land and office space. The land leases are for various park areas and expire over the next three years. The office space is in various County owned buildings and expire over the next ten years. The following schedule provides an analysis of the County's investment in the property on the operating leases as of February 28, 2022:

	Carrying Value
Land	$ 7,831,443
Buildings	808,655,718
Total Carrying Value	816,487,161
Less: Accumulated Depreciation	(373,504,067)
	$ 442,983,094

The following is a schedule by years of minimum future rental receipts on non-cancelable operating leases as of February 28, 2022:

Fiscal year	Governmental Activities
2022	$ 574,689
2023	991,847
2024	809,458
2025	272,269
2026	242,904
2027-2031	50,222
Total minimum future rentals	$ 2,941,389

The total minimum future rentals amount above does not include contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to $986,065 in 2022.

DIRECT-FINANCING LEASES

The County leases certain County-owned property to others for use as office space. The County's net investment in direct financing leases is $194,700. These leases are classified as direct-financing leases and expire at various intervals over the next 37 years and are not considered a significant part of the County's operating activities in terms of revenue.

15. FUND BALANCES

The following non-major governmental funds had negative fund balance at February 28, 2022:

Special Revenue Funds:		
Harris County Redevelopment Authority	$ 2,613,687	Negative due to timing of funds raised and expenditures incurred.

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. The following is a detail of fund balances for all the major and nonmajor governmental funds at February 28, 2022:

Fund Balances:	General Fund	Nonmajor Governmental	Total
Nonspendable:			
Inventories	$ 2,015,772	$ -	$ 2,015,772
Prepaids	4,315,892	37,495,931	41,811,823
Advances	370,000	-	370,000
Total nonspendable	6,701,664	37,495,931	44,197,595
Restricted for:			
Debt service	236,175,982	108,107,038	344,283,020
Mobility	356,695,009	-	356,695,009
Infrastructure	187,632,351	-	187,632,351
Flood control	-	105,588,715	105,588,715
Sports & Convention Corporation	-	23,474,522	23,474,522
Tourism	-	23,205,229	23,205,229
District attorney administration	-	30,260	30,260
Records management	-	16,879,547	16,879,547
Forfeited funds	-	20,878,922	20,878,922
Affordable housing	-	6,357,707	6,357,707
Donations & other contributions	-	2,403,682	2,403,682
Administration of justice	-	21,605,739	21,605,739
County administration	-	9,905,734	9,905,734
Health and human services	-	19,630,081	19,630,081
Medical programs	-	11,432,290	11,432,290
Grant programs	-	7,758,852	7,758,852
Capital projects	1,331,045	321,856,044	323,187,089
Total restricted	781,834,387	699,114,362	1,480,948,749
Committed to:			
Legislative	73,236,166	-	73,236,166
Community development	-	2,479,803	2,479,803
Environmental settlements	-	5,816,906	5,816,906
Other contributions	-	7,969,388	7,969,388
Capital projects	-	47,431,666	47,431,666
Total committed	73,236,166	63,697,763	136,933,929
Assigned to:			
County operations	56,831,745	-	56,831,745
Total assigned	56,831,745	-	56,831,745
Unassigned	1,297,204,536	(6,493,113)	1,290,711,423
Total fund balances	$ 2,215,808,498	$ 793,814,943	$ 3,009,623,441

Public Contingency Sub-fund

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

The Public Contingency sub-fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Public Contingency's fund balance in the amount of $41,999,464 is reported as nonspendable, assigned, and unassigned fund balances in the General Fund.

16. RECENT ACCOUNTING PRONOUNCEMENTS

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 as of the year ended September 30, 2022 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 as of the year ended September 30, 2022 and the impact has not yet been determined.

GASB Statement No. 92, *Omnibus 2020* – ("GASB 92"), 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. Except what was implemented as of February 28, 2021, GASB 92 will be implemented by the County as of the year ended September 30, 2022 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 the year ended September 30, 2022 and the impact has not yet been determined.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – ("GASB 94"), primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented by the County the year ended September 30, 2023 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 the year ended September 30, 2023 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. Except what was noted in Note 1, GASB 97 will be implemented by the County as of the year ended September 30, 2022 and the impact has not yet been determined.

GASB Statement No. 99, Omnibus 2022 – ("GASB 99"), objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. GASB 99 related to PPP's and SBITA's will be implemented by the County in the fiscal year ending September 30, 2023 and the requirements guarantees and reporting of derivative instruments will be implemented by the County in the fiscal year ending September 30, 2024 and the impact has not yet been determined.

GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statements No. 62 – ("GASB 100"), The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 will be implemented by the County as of the year ended September 30, 2024 and the impact has not yet been determined.

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

17. SUBSEQUENT EVENTS

In January 2021, Commissioners Court approved changing the fiscal year for Harris County and the Harris County Flood Control District from a fiscal year ending February 28/29 to a fiscal year ending September 30, with the transition to begin in calendar year 2022. This change necessitates a seven-month stub reporting period. Accordingly, Harris County and the Harris County Flood Control District's next financial reporting period will be for the seven-months ending September 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2022

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
GENERAL FUND - OPERATING				
Beginning Cash and Investments	$ 1,314,401,575	$ 1,315,551,593	$ 1,317,873,149	$ 2,321,556
Revenues and Transfers In:				
Taxes	1,665,389,982	1,665,389,982	1,720,286,411	54,896,429
Intergovernmental	58,014,866	58,970,170	68,937,321	9,967,151
Charges for Services	233,662,721	234,578,789	252,845,186	18,266,397
Fines and Forfeitures	9,084,242	9,084,242	11,006,109	1,921,867
Lease & User Fees	1,013,993	1,029,556	2,066,278	1,036,722
Interest	12,631,467	12,631,467	1,045,703	(11,585,764)
Miscellaneous	44,083,281	53,714,162	58,839,143	5,124,981
Other Transfer In	-	4,781,986	9,102,077	4,320,091
Total Revenues and Transfers In	2,023,880,552	2,040,180,354	2,124,128,228	83,947,874
Total Available Resources - General Fund - Operating	3,338,282,127	3,355,731,947	3,442,001,377	86,269,430
GENERAL FUND - HURRICANE HARVEY RECOVERY				
Beginning Cash and Investments	14,067,228	14,067,228	14,612,014	544,786
Revenues and Transfers In:				
Interest	144,045	144,045	15,756	(128,289)
Miscellaneous	-	-	3,200,000	3,200,000
Other Transfer In	-	-	1,052	1,052
Total Revenues and Transfers In	144,045	144,045	3,216,808	3,072,763
Total Available Resources - General Fund - Hurricane Harvey	14,211,273	14,211,273	17,828,822	3,617,549
GENERAL FUND - PUBLIC IMPROVEMENT CONTINGENCY				
Beginning Cash and Investments	136,814,482	136,814,482	135,992,772	(821,710)
Revenues and Transfers In:				
Taxes	1,325,652	1,325,652	2,397,447	1,071,795
Interest	3,103,695	3,103,695	399,225	(2,704,470)
Miscellaneous	13,596	7,849,875	7,970,034	120,159
Other Transfer In	-	76,237,461	80,890,793	4,653,332
Total Revenues and Transfers In	4,442,943	88,516,683	91,657,499	3,140,816
Total Available Resources - General Fund - Public Imp.	141,257,425	225,331,165	227,650,271	2,319,106
GENERAL FUND - COVID RESPONSE & RECOVERY				
Beginning Cash and Investments	81,400,000	133,400,000	133,332,803	(67,197)
Revenues and Transfers In:				
Interest	-	-	184,087	184,087
Miscellaneous	-	-	207,524	207,524
Other Transfer In	-	9,000,000	9,000,000	-
Total Revenues and Transfers In	-	9,000,000	9,391,611	391,611
Total Available Resources - General Fund - COVID Response	81,400,000	142,400,000	142,724,414	324,414
GENERAL FUND - MOBILITY FUND				
Beginning Cash and Investments	355,749,304	355,762,934	353,678,794	(2,084,140)
Revenues and Transfers In:				
Intergovernmental	-	-	1,362,493	1,362,493
Interest	4,339,948	4,339,948	1,490,140	(2,849,808)
Miscellaneous	-	1,542,021	8,511,267	6,969,246
Other - Transfers In	187,700,000	187,700,000	218,587,872	30,887,872
Total Revenues and Transfers In	192,039,948	193,581,969	229,951,772	36,369,803
Total Available Resources - General Fund - Mobility Fund	547,789,252	549,344,903	583,630,566	34,285,663

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2022

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
GENERAL FUND - INFRASTRUCTURE FUND				
Beginning Cash and Investments	31,635,000	31,635,000	232,425,371	200,790,371
Revenues and Transfers In:				
Interest	-	-	724,285	724,285
Other Transfer In	200,000,000	200,000,000	16,163,258	(183,836,742)
Total Revenues and Transfers In	200,000,000	200,000,000	16,887,543	(183,112,457)
Total Available Resources - General Fund - Infrastructure Fund	231,635,000	231,635,000	249,312,914	17,677,914
GENERAL FUND - DEBT SERVICE				
Beginning Cash and Investments:				
HC/FC Agreement 2008A CP Refunding	31,108,614	31,108,614	31,341,559	232,945
HC/FC Agreement 2014A CP Refunding	2,300,178	2,300,178	2,827,091	526,913
HC/FC Agreement 2014B CP Refunding	520,631	520,631	660,466	139,835
HC/FC Agreement 2015B CP Refunding	1,118,926	1,118,926	1,368,136	249,210
HC/FC Agreement 2017A CP Refunding	6,050,091	6,050,091	7,418,195	1,368,104
HC/FC Agreement 2019A CP Refunding	2,703,197	2,703,197	3,871,168	1,167,971
Commercial Paper Series B	247,886	247,886	371,444	123,558
Commercial Paper Series A1	24,360,694	24,360,694	29,842,732	5,482,038
Permanent Improvement Commercial Paper Series D	51,206,756	51,206,756	62,324,350	11,117,594
Flood Control Comm Paper Agreement	5	5	5	-
Commercial Paper Series D2	1,357,085	1,357,085	1,464,433	107,348
Commercial Paper Series D3	841,309	841,309	1,057,099	215,790
Commercial Paper Series J1 2020	4,265,337	4,265,337	4,799,752	534,415
Revenue Refunding Series 2002	213,150	213,150	213,180	30
Tax & Subordinate Lien Refunding Series 2012A	17,446,145	17,446,145	17,447,322	1,177
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18E0	3,031,825	3,031,825	3,046,359	14,534
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18F0	4,461	4,461	-	(4,461)
Permanent Improvement Refunding Series 2009A	89,662	89,662	-	(89,662)
Permanent Improvement Refunding Series 2011A	4,982,740	4,982,740	5,027,790	45,050
Permanent Improvement Refunding Series 2012A	4,210,674	4,210,674	4,312,134	101,460
Permanent Improvement Refunding Series 2012B	4,899,517	4,899,517	6,001,951	1,102,434
Permanent Improvement Refunding Series 2015A - DS	5,625,901	5,625,901	6,977,529	1,351,628
Permanent Improvement Refunding Series 2015B - DS	2,332,317	2,332,317	2,840,540	508,223
Permanent Improvement Refunding Series 2017A - DS	8,791,775	8,791,775	10,766,759	1,974,984
Permanent Improvement Refunding Series 2019A - DS	386,335	386,335	390,687	4,352
Permanent Improvement Refunding Series 2019A - COI	1,524	1,524	-	(1,524)
Permanent Improvement Refunding Series 2020A - DS	50,276,644	50,276,644	61,511,529	11,234,885
Permanent Improvement Refunding Series 2020A - COI	477,858	477,858	42,467	(435,391)
Total Beginning Cash and Investments	228,851,237	228,851,237	265,924,677	37,073,440
Revenues and Transfers In:				
HC/FC Agreement 2008A CP Refunding	1,501,165	1,501,165	1,618,996	117,831
HC/FC Agreement 2014A CP Refunding	2,904,151	2,904,151	2,906,484	2,333
HC/FC Agreement 2014B CP Refunding	718,714	718,714	1,003,274	284,560
HC/FC Agreement 2015B CP Refunding	1,410,431	1,410,431	1,352,012	(58,419)
HC/FC Agreement 2017A CP Refunding	7,644,963	7,644,963	7,668,352	23,389
HC/FC Agreement 2019A CP Refunding	32,723,052	32,723,052	31,909,163	(813,889)
Commercial Paper Series B	183,040	183,040	882	(182,158)
Commercial Paper Series A1	14,809,831	54,809,831	70,148,516	15,338,685
Permanent Improvement Commercial Paper Series D	21,776,098	65,776,098	107,896,971	42,120,873
Commercial Paper Series D2	1,044,389	107,044,389	106,075,905	(968,484)

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2022

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Commercial Paper Series D3	790,677	790,677	131,592	(659,085)
Commercial Paper Series J1 2020	2,404,404	2,404,404	246,075	(2,158,329)
Revenue Refunding Series 2002	529	529	112	(417)
Tax & Subordinate Lien Refunding Series 2012A	21,974,004	21,974,004	17,181,657	(4,792,347)
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18E0	3,386,207	3,386,207	3,593,692	207,485
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18F0	25	25	-	(25)
Permanent Improvement Refunding Series 2011A	782,317	4,615,817	4,102,558	(513,259)
Permanent Improvement Refunding Series 2012A	4,482,641	4,482,641	4,367,574	(115,067)
Permanent Improvement Refunding Series 2012B	6,252,101	6,252,101	5,875,486	(376,615)
Permanent Improvement Refunding Series 2015A - DS	20,649,115	20,649,115	20,557,417	(91,698)
Permanent Improvement Refunding Series 2015B - DS	2,973,991	2,973,991	2,923,860	(50,131)
Permanent Improvement Refunding Series 2017A - DS	17,250,467	17,250,467	17,082,670	(167,797)
Permanent Improvement Refunding Series 2019A - DS	398,408	398,408	327,915	(70,493)
Permanent Improvement Refunding Series 2019A - COI	2	2	-	(2)
Permanent Improvement Refunding Series 2020A - DS	23,130,684	23,130,684	23,895,468	764,784
Permanent Improvement Refunding Series 2020A - COI	54	54	11	(43)
Permanent Improvement Refunding Series 2021	-	34,060,244	36,132,652	2,072,408
Permanent Improvement Refunding Series 2021 - COI	-	108,976	108,976	-
Permanent Improvement Refunding Series 2021A - DS	-	120,694,024	120,694,706	682
Permanent Improvement Refunding Series 2021A - COI	-	355,495	355,523	28
Total Revenues and Transfers In	189,191,460	538,243,699	588,158,499	49,914,800
Total Available Resources:				
HC/FC Agreement 2008A CP Refunding	32,609,779	32,609,779	32,960,555	350,776
HC/FC Agreement 2014A CP Refunding	5,204,329	5,204,329	5,733,575	529,246
HC/FC Agreement 2014B CP Refunding	1,239,345	1,239,345	1,663,740	424,395
HC/FC Agreement 2015B CP Refunding	2,529,357	2,529,357	2,720,148	190,791
HC/FC Agreement 2017A CP Refunding	13,695,054	13,695,054	15,086,547	1,391,493
HC/FC Agreement 2019A CP Refunding	35,426,249	35,426,249	35,780,331	354,082
Commercial Paper Series B	430,926	430,926	372,326	(58,600)
Commercial Paper Series A1	39,170,525	79,170,525	99,991,248	20,820,723
Permanent Improvement Commercial Paper Series D	72,982,854	116,982,854	170,221,321	53,238,467
Flood Control Comm Paper Agreement	5	5	5	-
Commercial Paper Series D2	2,401,474	108,401,474	107,540,338	(861,136)
Commercial Paper Series D3	1,631,986	1,631,986	1,188,691	(443,295)
Commercial Paper Series J1 2020	6,669,741	6,669,741	5,045,827	(1,623,914)
Revenue Refunding Series 2002	213,679	213,679	213,292	(387)
Tax & Subordinate Lien Refunding Series 2012A	39,420,149	39,420,149	34,628,979	(4,791,170)
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18E0	6,418,032	6,418,032	6,640,051	222,019
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18F0	4,486	4,486	-	(4,486)
Permanent Improvement Refunding Series 2009A	89,662	89,662	-	(89,662)
Permanent Improvement Refunding Series 2011A	5,765,057	9,598,557	9,130,348	(468,209)
Permanent Improvement Refunding Series 2012A	8,693,315	8,693,315	8,679,708	(13,607)
Permanent Improvement Refunding Series 2012B	11,151,618	11,151,618	11,877,437	725,819
Permanent Improvement Refunding Series 2015A - DS	26,275,016	26,275,016	27,534,946	1,259,930
Permanent Improvement Refunding Series 2015B - DS	5,306,308	5,306,308	5,764,400	458,092
Permanent Improvement Refunding Series 2017A - DS	26,042,242	26,042,242	27,849,429	1,807,187
Permanent Improvement Refunding Series 2019A - DS	784,743	784,743	718,602	(66,141)
Permanent Improvement Refunding Series 2019A - COI	1,526	1,526	-	(1,526)
Permanent Improvement Refunding Series 2020A - DS	73,407,328	73,407,328	85,406,997	11,999,669
Permanent Improvement Refunding Series 2020A - COI	477,912	477,912	42,478	(435,434)
Permanent Improvement Refunding Series 2021	-	34,060,244	36,132,652	2,072,408
Permanent Improvement Refunding Series 2021 - COI	-	108,976	108,976	-
Permanent Improvement Refunding Series 2021A - DS	-	120,694,024	120,694,706	682
Permanent Improvement Refunding Series 2021A - COI	-	355,495	355,523	28
Total Available Resources - General Fund - Debt Service	418,042,697	767,094,936	854,083,176	86,988,240
TOTAL GENERAL FUND				
Beginning Cash and Investments	2,162,918,826	2,216,082,474	2,453,839,580	237,757,106
Revenues and Transfers In	2,609,698,948	3,069,666,750	3,063,391,960	(6,274,790)
TOTAL GENERAL FUND	$ 4,772,617,774	$ 5,285,749,224	$ 5,517,231,540	$ 231,482,316

See notes to required supplementary information.

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

For The Year Ended February 28, 2022

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEPARTMENTS				
PID Shared Operations	$ -	$ 266,557	$ 71,184	$ 195,373
Appraisal District	14,960,000	14,960,000	14,047,947	912,053
County Judge	9,588,628	12,177,922	10,214,409	1,963,513
Commissioner Precinct 1	74,841,385	88,397,855	35,123,548	53,274,307
Commissioner Precinct 2	61,951,404	67,209,030	43,877,756	23,331,274
Commissioner Precinct 3	51,893,447	58,838,626	38,347,137	20,491,489
Commissioner Precinct 4	57,054,069	63,835,324	33,281,489	30,553,835
Commissioner's Crt Analyst Ofc	1,373,007	1,403,007	1,155,004	248,003
Office of County Administration	-	2,217,800	1,288,433	929,367
Office of Management & Budget	17,158,001	16,749,370	14,105,298	2,644,072
General Administration	1,291,453,756	1,199,918,596	96,153,529	1,103,765,067
Intergovernmetal & Global Affairs	1,648,599	2,148,599	1,570,449	578,150
Economic Equity & Opportunity	2,645,935	3,014,685	1,838,971	1,175,714
Justice Administration	4,645,319	4,878,319	3,843,819	1,034,500
Public Infrastructure - Architecture & Engineering	49,401,673	77,359,753	73,818,512	3,541,241
Fire Marshal's Office	10,253,323	10,402,134	10,151,288	250,846
Institute of Forensic Science	37,429,733	38,631,296	37,783,944	847,352
Pollution Control Department	8,276,596	8,276,682	7,445,814	830,868
Public Health Services	40,152,655	44,729,513	40,016,127	4,713,386
Veterans Service Office	1,040,684	1,072,684	981,332	91,352
Public Library	37,513,372	39,626,492	38,033,620	1,592,872
Domestic Relations	3,945,413	5,818,043	5,106,800	711,243
Community Services	21,876,698	26,699,698	16,322,672	10,377,026
Universal Services	69,177,541	75,604,869	74,527,987	1,076,882
US Repairs and Replacement	12,109,043	12,109,043	12,109,043	-
MHMRA	22,567,171	22,567,171	22,567,171	-
FPM Repairs and Replacement	25,467,328	-	(1,170)	1,170
FPM Utilities and Leases	19,000,000	19,000,000	18,165,614	834,386
Constable Precinct 1	43,506,997	47,186,100	46,951,214	234,886
Constable Precinct 2	10,165,425	11,472,238	11,407,350	64,888
Constable Precinct 3	18,861,059	19,574,906	19,363,932	210,974
Constable Precinct 4	58,811,078	62,594,275	62,394,887	199,388
Constable Precinct 5	44,920,246	45,822,955	44,444,598	1,378,357
Constable Precinct 6	10,854,412	10,821,331	10,358,879	462,452
Constable Precinct 7	14,945,431	15,137,154	14,592,764	544,390
Constable Precinct 8	9,447,328	9,737,915	9,737,915	-
Justice of the Peace 1-1	2,394,560	2,399,560	2,330,243	69,317
Justice of the Peace 1-2	2,537,810	2,537,810	2,302,473	235,337
Justice of the Peace 2-1	1,146,088	1,146,088	1,087,665	58,423
Justice of the Peace 2-2	1,091,726	1,100,726	935,233	165,493
Justice of the Peace 3-1	1,914,768	1,914,768	1,779,101	135,667
Justice of the Peace 3-2	1,345,692	1,345,692	1,237,771	107,921
Justice of the Peace 4-1	3,293,862	3,300,520	3,190,647	109,873
Justice of the Peace 4-2	1,745,003	1,743,554	1,616,767	126,787
Justice of the Peace 5-1	2,497,819	2,522,819	2,246,613	276,206
Justice of the Peace 5-2	3,325,258	3,325,258	3,218,901	106,357
Justice of the Peace 6-1	835,779	835,779	819,750	16,029
Justice of the Peace 6-2	932,281	932,281	773,951	158,330
Justice of the Peace 7-1	1,327,079	1,327,079	1,155,766	171,313
Justice of the Peace 7-2	1,162,795	1,162,795	858,024	304,771
Justice of the Peace 8-1	1,360,606	1,360,606	1,249,459	111,147
Justice of the Peace 8-2	972,284	972,284	728,479	243,805
County Attorney	30,792,686	32,842,686	31,304,484	1,538,202
County Clerk	19,407,021	19,406,413	18,956,646	449,767
County Treasurer	1,287,689	1,287,689	1,109,070	178,619
Elections Administration	28,040,256	28,006,898	24,260,068	3,746,830
Tax Assessor-Collector	30,410,866	30,721,892	30,641,149	80,743
County Sheriff	246,381,330	249,770,615	248,240,789	1,529,826
Dentention	244,906,152	251,961,497	251,688,977	272,520
Dentention Medical	80,205,814	87,204,814	80,869,641	6,335,173
District Attorney	95,598,731	97,492,725	97,392,545	100,180

See notes to required supplementary information.

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

For The Year Ended February 28, 2022

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
District Clerk	40,197,507	40,852,169	38,870,407	1,981,762
Public Defender Pilot Program	29,289,419	29,327,419	27,093,174	2,234,245
Community Supervision and Correction	2,564,000	3,696,591	3,696,591	-
Pretrial Services	17,873,782	24,473,841	22,252,980	2,220,861
County Auditor	25,832,959	25,832,959	24,240,120	1,592,839
Purchasing Agent	9,636,416	9,636,416	9,241,435	394,981
District Courts	32,742,202	32,868,787	30,836,147	2,032,640
Court Appointed Attorney	53,500,000	55,310,500	55,067,080	243,420
Texas Agrilife Extension Services	851,382	987,382	878,102	109,280
Juvenile Probation	87,612,963	89,123,623	86,015,380	3,108,243
Triad Juvenile Probation	1,630,296	-	-	-
Sheriff's Civil Service	300,455	315,455	278,551	36,904
Protective Services- Children and Adults	26,602,616	28,125,247	27,816,185	309,062
Children's Assessment Center	8,882,880	9,743,880	9,376,996	366,884
1st Court of Appeals	92,000	92,000	53,668	38,332
14th Court of Appeals	92,000	92,000	53,118	38,882
County Courts	20,344,155	20,546,155	18,767,719	1,778,436
Court Appointed Attorney	5,600,000	6,864,605	6,864,602	3
MAC - Managed Assigned Counsel	122,528	296,271	163,325	132,946
Probate Court 1	1,629,205	1,629,205	1,601,718	27,487
Probate Court 2	1,627,373	1,627,373	1,529,744	97,629
Probate Court 3	5,778,447	5,778,447	5,386,689	391,758
Probate Court 4	1,628,831	1,628,831	1,607,244	21,587
Total General Fund By Department	3,338,282,127	3,355,731,946	2,052,884,453	1,302,847,493
Hurricane Harvey Recovery	14,211,273	14,211,273	11,143,237	3,068,036
Covid Response & Recovery	81,400,000	142,400,000	75,545,724	66,854,276
Public Improvement Contingency	141,257,425	225,331,165	150,859,699	74,471,466
Infrastructure	231,635,000	231,635,000	53,934,036	177,700,964
MOBILITY FUND DEPARTMENTS				
PID Shared Operations	36,046,794	55,938,646	17,503,157	38,435,489
Harris County Commissioner Pct. 1	146,886,434	144,047,301	39,341,578	104,705,723
Harris County Commissioner Pct. 2	100,025,600	97,310,414	41,157,984	56,152,430
Harris County Commissioner Pct. 3	93,318,957	94,887,198	44,757,390	50,129,808
Harris County Commissioner Pct. 4	96,877,026	97,438,302	28,550,836	68,887,466
General Administration	47,301,888	32,390,489	-	32,390,489
Public Infrastructure - Architecture & Engineering	25,700,000	26,435,273	25,886,626	548,647
Universal Services	897,280	897,280	-	897,280
US Repairs and Replacement	735,273	-	-	-
Total Mobility Fund By Department	547,789,252	549,344,903	197,197,571	352,147,332

See notes to required supplementary information.

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

For The Year Ended February 28, 2022

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEBT SERVICE				
4603 HC/FC Agreement 2014A CP Refunding	5,204,329	5,204,329	2,915,000	2,289,329
4604 HC/FC Agreement 2014B CP Refunding	1,239,345	1,239,345	716,000	523,345
4605 HC/FC Agreement 2015B Refunding	2,529,357	2,529,357	1,406,000	1,123,357
4606 HC/FC Agreement 2017A	13,695,054	13,695,054	7,677,000	6,018,054
4608 HC /FC Agreement 2019A D1	35,426,249	35,426,249	3,502,000	31,924,249
4702 Commercial Paper Series B	430,926	430,926	139,822	291,104
4703 Commercial Paper Series C	2,583,419	52,583,419	50,824,439	1,758,980
4701 Commercial Paper Series A-1	39,170,525	79,170,525	70,333,925	8,836,600
4704 Commercial Paper Series - Flood Control	72,982,854	116,982,854	107,936,888	9,045,966
4705 Flood Control CP Agreement	5	5	-	5
4706 Commercial Paper Series	2,401,474	108,401,474	106,623,122	1,778,352
4707 Commercial Paper Series	1,631,986	1,631,986	486,997	1,144,989
4708 Commercial Paper Series J1 2020	6,669,741	6,669,741	4,630,525	2,039,216
4921 Revenue Refunding Series 2002	213,679	213,679	-	213,679
4902 Tax & Subordinate Lien Refunding Series 2012A	39,420,149	39,420,149	21,929,875	17,490,274
4903 HC Tax & Sub Lien Hot B	6,418,032	6,418,032	3,359,125	3,058,907
4904 HC Tax & Sublien Hot Bnd	4,486	4,486	-	4,486
4805 Permanent Improvement Refunding Series 2009A	89,662	89,662	-	89,662
4809 Permanent Improvement Refunding Series 2011A	5,765,057	9,598,557	9,130,348	468,209
4810 Permanent Improvement Refunding Series 2012A	8,693,315	8,693,315	4,450,250	4,243,065
4811 Permanent Improvement Refunding Series 2012B	11,151,618	11,151,618	6,264,219	4,887,399
4812 Tax Permanent Improvement Ref. Series 2015A	26,275,016	26,275,016	7,155,788	19,119,228
4813 Permanent Improvement Refunding Series 2015B	5,306,308	5,306,308	2,954,250	2,352,058
4814 Permanent Improvement Ref. Series 2017A	26,042,242	26,042,242	11,150,450	14,891,792
4815 Permanent Improvement Ref. Series 2019A	784,743	784,743	390,500	394,243
4816 Permanent Improvement Ref. Series 2019A - COI	1,526	1,526	-	1,526
4817 Permanent Improvement Ref. Series 2020A	73,407,328	73,407,328	63,400,343	10,006,985
4818 Permanent Improvement Ref. Series 2021	-	34,060,244	34,060,244	-
4819 Permanent Improvement Ref. Series 2021A	-	120,694,024	120,694,024	-
4850 Permanent Improvement Ref. Series 2020A - COI	477,912	477,912	42,478	435,434
4851 Permanent Improvement Ref. Series 2021 - COI	-	108,976	105,856	3,120
4852 Permanent Improvement Ref. Series 2021A - COI	-	355,495	43,164	312,331
Total General Fund Debt Service	388,016,337	787,068,576	642,322,632	144,745,944
TOTAL GENERAL FUND	$ 4,661,191,414	$ 5,163,322,863	$ 3,108,341,628	$ 2,054,981,235

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 28, 2022

1. RECONCILIATION OF ACCOUNTING BASIS

A reconciliation of revenues and expenditures on a cash basis ("budgetary basis") compared to modified accrual (GAAP) for the general fund is as follows:

	GENERAL FUND
REVENUES AND OTHER SOURCES	
Cash (budgetary) basis	$ 5,517,231,540
Beginning Cash and Investments	(2,453,839,580)
Accrued in 2021, received in 2022	(81,553,931)
Entry to eliminate transfers between funds	(317,928,782)
Accrued in 2022, to be received in 2023	110,674,406
Revenues and other sources on modified accrual (GAAP) basis	2,774,583,653
EXPENDITURES AND OTHER USES	
Cash (budgetary) basis	3,108,341,628
Incurred during 2021, paid in 2022	(468,326,790)
Entry to eliminate transfers between funds	(317,928,782)
Incurred during 2022, payable in 2023	643,691,761
Expenditures and other uses on modified accrual (GAAP) basis	2,965,777,817
Changes in Fund Balances	$ (191,194,164)

2. ANALYSIS OF SIGNIFICANT EXPENDITURE VARIANCES

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

Four of the departments with significant variances are the Commissioner Precincts, which have a combined positive variance of $127,650,905. The precinct budgets include capital projects for roads and bridges. These budgets are set at the beginning of the projects and roll year-to-year. Therefore, these variances are anticipated. The other department is General Administration which has a positive variance of $1,103,765,067 which is primarily the reserve.

The Public Improvement Contingency Sub-fund has a positive variance of $74,471,466. These funds are set aside by Commissioners Court to assist with capital projects and for use in unforeseen emergency events.

The Mobility Sub-fund has a positive variance of $352,147,332. These funds are set aside to increase general mobility within the County.

The combined positive variance for all the general fund debt service accounts was $144,745,944. The County's practice is to have a full year's worth of payments available for tax supported debt. As the tax year and budget year are not the same, there will always be a variance between the budget and actual expenditures. In these cases, the debt payment amounts are high enough to cause a significant variance, and will continue to cause significant variances in the future.

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

	Year Ended February 28/29			
	2019	2020	2021	2022
TOTAL OPEB LIABILITY				
Service cost	$ 79,163	$ 81,736	$ 251,727	$ 209,843
Interest cost	70,460	74,038	69,221	91,781
Difference between expected and actual experience	-	-	85,687	-
Effect of assumption changes or inputs	-	733,663	397,977	215,789
Benefit payments	(55,161)	(58,457)	(62,087)	(67,710)
Net change in total OPEB liability	94,462	830,980	742,525	449,703
Total OPEB liability, beginning	1,827,096	1,921,558	2,752,538	3,495,063
Total OPEB liability, ending (a)	$ 1,921,558	$ 2,752,538	$ 3,495,063	$ 3,944,766
FIDUCIARY NET POSITION				
Employer contributions	$ 55,161	$ 58,457	$ 62,087	$ 67,710
Benefit payments	(55,161)	(58,457)	(62,087)	(67,710)
Net change in fiduciary net position	-	-	-	-
Net OPEB liability, ending = (a) - (b)	$ 1,921,558	$ 2,752,538	$ 3,495,063	$ 3,944,766
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	$ 1,042,892	$ 1,112,112	$ 1,164,474	$ 1,195,886
Net OPEB liability as a % of covered payroll	184.25%	247.51%	300.14%	329.86%

Notes to schedule

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

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

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

	Year Ended December 31						
	2015	2016	2017	2018	2019	2020	2021
TOTAL PENSION LIABILITY							
Service cost	$ 131,567	$ 149,334	$ 146,841	$ 148,122	$ 151,462	$ 163,444	$ 199,137
Interest on total pension liability	411,525	437,989	468,982	496,916	524,085	553,564	583,779
Effect of plan changes	(28,883)	-	-	-	-	-	-
Effect of assumption changes or inputs	51,149	-	10,614	-	-	440,283	4,607
Effect of economic/demographic (gains) or losses	(7,458)	(27,493)	(6,851)	(8,053)	11,006	19,026	(8,769)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)	(347,776)	(382,113)
Net change in total pension liability	337,800	321,610	355,645	348,433	364,644	$ 828,541	$ 396,641
Total pension liability, beginning	5,113,052	5,450,852	5,772,462	6,128,107	6,476,540	6,841,184	7,669,725
Total pension liability, ending (a)	$ 5,450,852	$ 5,772,462	$ 6,128,107	$ 6,476,540	$ 6,841,184	$ 7,669,725	$ 8,066,366
FIDUCIARY NET POSITION							
Employer contributions	$ 132,346	$ 136,391	$ 142,896	$ 149,663	$ 167,499	$ 182,824	$ 189,304
Member contributions	66,878	68,371	71,869	72,343	77,914	85,012	88,129
Investment income net of investment expenses	(30,646)	349,499	733,526	(107,132)	908,411	656,508	1,509,284
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)	(347,776)	(382,113)
Administrative expenses	(3,419)	(3,799)	(3,797)	(4,443)	(4,844)	(5,068)	(4,504)
Other	363	(7,961)	(605)	(1,386)	(1,750)	(1,963)	(1,049)
Net change in fiduciary net position	(54,578)	304,281	679,948	(179,507)	825,321	569,537	1,399,051
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762	5,710,710	5,531,203	6,356,524	6,926,061
Fiduciary net position, ending (b)	$ 4,726,481	$ 5,030,762	$ 5,710,710	$ 5,531,203	$ 6,356,524	$ 6,926,061	$ 8,325,112
Net pension liability/(asset), ending = (a) - (b)	$ 724,371	$ 741,700	$ 417,397	$ 945,337	$ 484,660	$ 743,664	$ (258,746)
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%	85.40%	92.92%	90.30%	103.21%
Pension covered payroll	$ 953,501	$ 974,217	$ 1,020,708	$ 1,032,142	$ 1,110,437	$ 1,211,895	$ 1,255,581
Net pension liability/(asset) as a % of covered payroll	75.97%	76.13%	40.89%	91.59%	43.65%	61.36%	-20.61%

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

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

	Year Ended December 31					
	2016	2017	2018	2019	2020	2021
TOTAL PENSION LIABILITY						
Service cost	$ 98,958	$ 97,369	$ 117,305	$ 92,036	$ 123,204	$ 136,535
Interest on total pension liability	3,930	16,228	28,020	30,784	45,967	60,992
Effect of economic/demographic(gains) or losses	85	31,424	(64,351)	35,903	7,638	(69,749)
Effect of assumption changes or inputs	-	234	-	-	47,325	(1,089)
Benefit payments/refunds of contributions	-	-	(39,988)	(2,444)	(2,444)	(2,444)
Net change in total pension liability	102,973	145,255	40,986	156,279	221,690	124,245
Total pension liability, beginning	-	102,973	248,228	289,214	445,493	667,183
Total pension liability, ending (a)	$ 102,973	$ 248,228	$ 289,214	$ 445,493	$ 667,183	$ 791,428
FIDUCIARY NET POSITION						
Employer contributions	$ 76,701	$ 106,623	$ 86,440	$ 85,053	$ 87,659	$ 86,840
Member contributions	35,370	49,167	46,438	49,408	52,178	51,691
Investment income net of investment expenses	-	19,112	(4,376)	62,527	60,227	187,287
Benefit payments/refunds of contributions	-	-	(39,988)	(2,444)	(2,444)	(2,444)
Administrative expenses	-	(193)	(306)	(442)	(572)	(600)
Other	1,697	2,086	2,797	4,601	4,123	4,072
Net change in fiduciary net position	113,768	176,795	91,005	198,703	201,171	326,846
Fiduciary net position, beginning	-	113,768	290,563	381,568	580,271	781,442
Fiduciary net position, ending (b)	113,768	290,563	381,568	580,271	781,442	1,108,288
Net pension liability, ending = (a) - (b)	$ (10,795)	$ (42,335)	$ (92,354)	$ (134,778)	$ (114,259)	$ (316,860)
Fiduciary net position as a % of total pension liability	110.48%	117.06%	131.93%	130.25%	117.13%	140.04%
Pension covered payroll	$ 505,279	$ 702,390	$ 663,396	$ 705,835	$ 745,399	$ 738,436
Net pension liability as a % of covered payroll	-2.14%	-6.03%	-13.92%	-19.09%	-15.33%	-42.91%

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

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

HARRIS COUNTY

Year Ended February 28/29	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
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%
2021	180,814,784	185,368,474	(4,553,690)	1,227,928,655	15.1%
2022	189,304,375	190,456,110	(1,151,735)	1,261,574,010	15.1%

HARRIS COUNTY SPORTS & CONVENTION CORPORATION

Year Ended February 28/29	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2017	$ 76,701	$ 77,846	$ (1,145)	$ 512,815	15.2%
2018	106,623	107,415	(792)	723,606	14.8%
2019	86,440	85,011	1,429	660,718	12.9%
2020	85,053	86,350	(1,297)	719,581	12.0%
2021	87,659	87,703	(44)	745,774	11.8%
2022	86,840	84,774	2,066	720,865	11.8%

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

<u>Notes to Schedule</u>

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

<u>Methods and assumptions used to determine contribution rates</u>:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	HC: 18.5 years (based on contribution rate calculated in 12/31/2021 valuation)
	HCSCC: 0.0 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%

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

Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: HC - Employer contributions reflect that the member contribution rate was increased to 7%. 2015: HCSCC - No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

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

APPENDIX A-2

AUDITED BASIC FINANCIAL STATEMENTS OF THE COUNTY
FOR THE SEVEN MONTHS ENDED SEPTEMBER 30, 2022

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HARRIS COUNTY, TEXAS

Basic Financial Statements
For The Seven Months Ended
September 30, 2022

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

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas (the "County") as of and for the seven months ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the seven months then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units: Harris County Hospital District, Harris Center for Mental Health and IDD, Harris County Housing Finance Corporation, Harris County Industrial Development Corporation, and the Children's Assessment Center Foundation which represent 99.99% of the assets and revenues of the discretely presented component units as of September 30, 2022 and the respective changes in financial position for the seven months then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for discretely presented component units, aggregate remaining fund information and governmental activities for the above noted entities, is based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Available Resources—Budget and Actual—Budgetary Basis—General Fund, the Schedule of Expenditures and Other Uses—Budget and Actual—Budgetary Basis—General Fund, Schedule of Changes in Net Other Postemployment Benefit Liability and Related Ratios, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Changes in Net Pension Liability and Related Ratios—HCSCC and the Texas County and District Retirement System—Schedule of Employer Contributions, and the related notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

March 28, 2023

This section of the Harris County, Texas (the "County") Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the primary government for the period ended September 30, 2022. Please read it in conjunction with the County's basic financial statements following this section.

In January 2021, Commissioners Court approved changing the fiscal year for Harris County and the Flood Control District from a fiscal year ending February 28/29 to a fiscal year ending September 30, with the transition to begin in calendar year 2022. As such, the financial statements are presented for a seven-month period of March 1, 2022 through September 30, 2022. The terms "prior year" or "previous year" used throughout this report represent the fiscal year ended February 28, 2022.

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at September 30, 2022 by $10,559,604,505. This is a decrease of $1,225,146,379 from the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $11,784,750,884.

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

(1) Net investment in capital assets of $11,197,531,337 includes land, improvements, buildings, infrastructure, intangible assets, construction in progress, and other capital assets, net of accumulated depreciation/amortization, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction of capital assets.
(2) Net position of $1,842,577,084 is restricted by constraints imposed from outside the County such as debt obligations, laws, or regulations, including restrictions related to Toll Road and Mobility funds.
(3) Unrestricted net position of negative $2,480,503,916 represents the portion available to meet ongoing obligations to citizens and creditors.

Governmental Fund Financial Statements

- As of September 30, 2022, County governmental funds reported combined fund balances of $1,768,023,218. This reflects a decrease of $1,241,600,223 from the previous fiscal year mainly due to a decrease in tax revenues associated with the short reporting period. The current period total consists of combined nonspendable fund balance of $39,003,041, restricted fund balance of $1,253,544,445, committed fund balance of $78,745,137, assigned fund balance of $60,843,701, and unassigned fund balance of $335,886,894 for period ended September 30, 2022.

- The General Fund is used to account for the general operations of the County, limited-tax permanent improvement debt service of the County, public improvement contingencies, and the mobility programs. At the end of the period, the unassigned fund balance of the County's General Fund was $335,919,450. The General Fund had a nonspendable fund balance of $14,108,512, restricted fund balance of $541,094,389, committed fund balance of $19,437,780 and assigned fund balance of $60,843,701 at September 30, 2022.

- During the period, the Harris County Toll Road Authority transferred $123.9 million of surplus toll road revenue to the mobility fund which is accounted for within the General Fund. Mobility and Infrastructure program monies are restricted by Section 284.0031 of the Texas Transportation Code for the study, design, construction, maintenance, repair or operation of roads, streets, highways, or other related facilities. These programs may not be used for the general operations of the County. The General Fund's cash and investment balance at September 30, 2022 includes $564 million that belongs to these 2 programs. Because of the legal restrictions imposed on the mobility and infrastructure programs, $535,123,978 of the fund balance in General Fund is restricted for mobility at September 30, 2022.

- The Community Development Block Grant Disaster Recovery (CDBG-DR) Harvey fund was considered a new major fund for period ended September 30, 2022. This fund is a special revenue fund and was used to account for rebuilding Texas communities after Hurricane Harvey by putting Texans back in their homes, restoring critical infrastructure, and mitigating future damage. These grants can be used for a wide variety of activities including housing redevelopment, infrastructure repair, and long-term planning. This fund had no effect on the fund balance of the County.

- The American Rescue Plan Act (ARPA) fund was considered a major fund for period ended September 30, 2022. This fund is a special revenue fund and was used to support costs related to the COVID 19 pandemic. This fund had no effect on the fund balance of the County.

- The nonmajor governmental funds had total combined fund balances of $796,619,386 at September 30, 2022. Of this amount, $24,894,529 is nonspendable, $712,450,056 is restricted ($250,147,462 for special revenue funds, $5,480,508 for debt service and $456,822,086 for capital projects funds), $59,307,357 is committed, and a negative $32,556 is unassigned.

Long-Term Debt
The County issues debt to finance an ongoing capital improvement program. During the period March 1, 2022 through September 30, 2022, the County issued $506.2 million in commercial paper and $840.9 million in refunding bonds. Note 8 to the financial statements provides details of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information that indicates how net position changed during the fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports 75 governmental funds, which in some cases are aggregated individual funds (e.g., grant funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single aggregated presentation.

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's fiduciary funds are comprised of 13 funds.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 44 of this report.

Required Supplementary Information for the County's General Fund budgetary schedule is presented herein. The County adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Also presented in this section are the Schedule of Funding Progress for Other Postemployment Benefits, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions. Required supplementary information can be found beginning on page 107 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $10,559,604,505 for the period ended September 30, 2022 and $11,784,750,884 for fiscal year ended February 28, 2022. Expenses exceeded revenues during the current period, decreasing net position by $1,225,146,379.

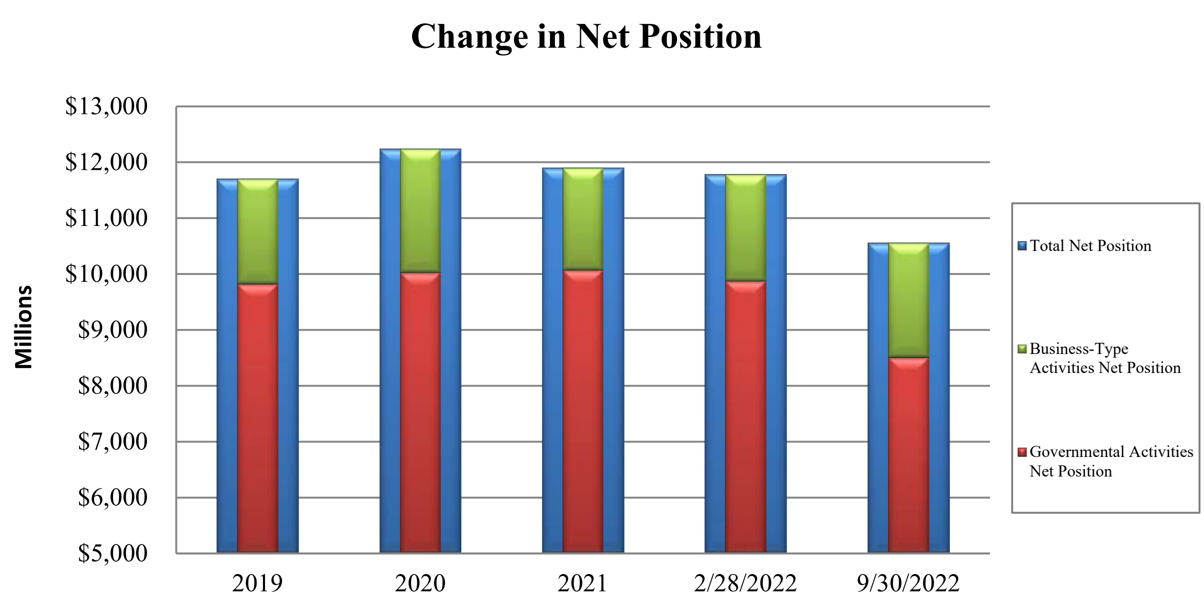
Condensed Statement of Net Position
September 30, 2022
(Amounts in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 3,479,620	$ 1,472,311	$ 4,951,931
Capital assets	12,798,140	3,340,598	16,138,738
Total assets	16,277,760	4,812,909	21,090,669
Deferred outflows of resources	1,493,209	114,360	1,607,569
Current and other liabilities	1,320,750	242,207	1,562,957
Long-term liabilities (including current portion)	5,754,146	2,545,921	8,300,067
Total liabilities	7,074,896	2,788,128	9,863,024
Deferred inflows of resources	2,187,447	88,162	2,275,609
Net position:			
Net investment in capital assets	10,137,033	1,060,499	11,197,532
Restricted	887,003	955,574	1,842,577
Unrestricted	(2,515,410)	34,906	(2,480,504)
Total net position	$ 8,508,626	$ 2,050,979	$ 10,559,605

Condensed Statement of Net Position
February 28, 2022
(Amounts in thousands)
Primary Government

	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 4,444,026	$ 1,429,450	$ 5,873,476
Capital assets*	12,717,710	3,284,165	16,001,875
Total assets	17,161,736	4,713,615	21,875,351
Deferred outflows of resources	1,324,546	152,453	1,476,999
Current and other liabilities	1,042,719	222,445	1,265,164
Long-term liabilities (including current portion)*	6,674,680	2,699,794	9,374,474
Total liabilities	7,717,399	2,922,239	10,639,638
Deferred inflows of resources	897,648	30,313	927,961
Net position:			
Net investment in capital assets	10,110,639	1,018,443	11,129,082
Restricted	1,157,776	857,628	2,015,404
Unrestricted	(1,397,180)	37,445	(1,359,735)
Total net position	$ 9,871,235	$ 1,913,516	$ 11,784,751

* The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1



The largest portion of the County's current period net position, $11,197,531,337, is invested in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the County's current period net position of negative $2,480,503,916, represents unrestricted net position, which is normally available to meet the County's ongoing unrestricted obligations to citizens and creditors. The remaining balance of net position represents resources that are subject to external restrictions on how they may be used. A large portion of the restricted net position, $522,269,525, is for use for the ongoing obligations of the Toll Road Authority (this balance is unrestricted within the Toll Road Authority basic financial statements, but are restricted within the County ACFR as these funds can only be utilized for operations at the Toll Road Authority). Restricted net position of $535,123,978 is related to the mobility program and is restricted because of legal constraints imposed by the Texas Transportation Code; these funds can only be used for mobility purposes. Other restrictions include $327,270,945 for debt service payments, $104,004,571 for capital projects, $105,122,450 for operating reserve per bond covenants, and $248,785,615 for net pension asset. At the end of the current period, the County reported positive net position in two categories of net position for its governmental activities and in all categories of its business-type activities.

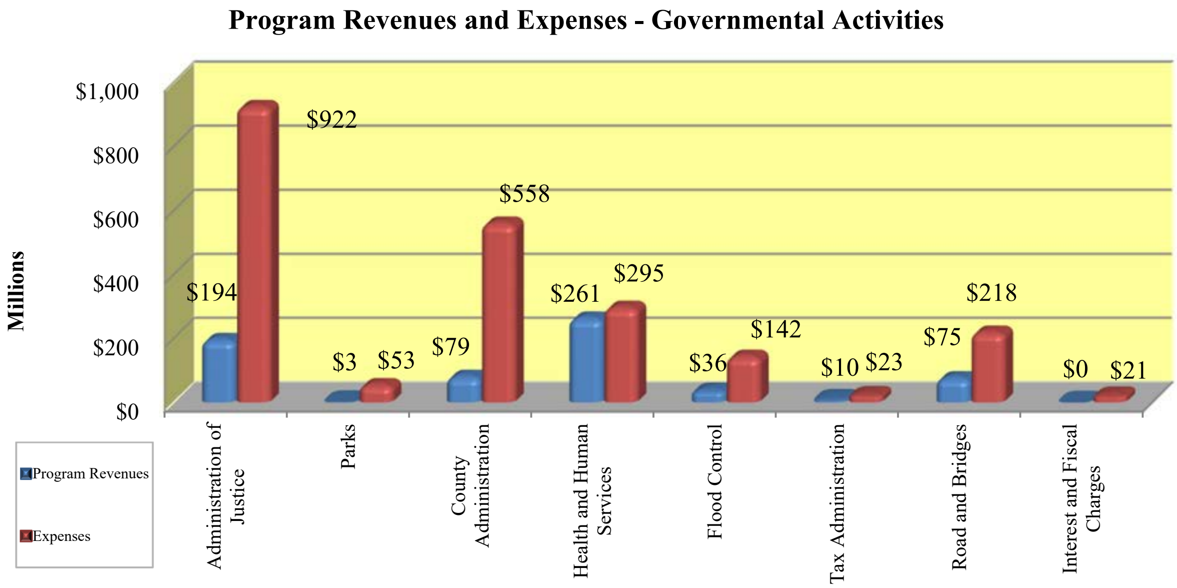
The following table indicates changes in net position for governmental and business-type activities:

Condensed Statement of Activities
(In Thousands)
For the Period Ended September 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for Services	$ 202,492	$ 535,525	$ 738,017
Operating Grants and Contributions	364,437	-	364,437
Capital Grants and Contributions	91,898	-	91,898
General revenues:			
Property and Hotel Occupancy taxes	25,304	-	25,304
Investment Earnings	2,874	1,499	4,373
Miscellaneous	59,366	1,658	61,024
Total revenues	746,371	538,682	1,285,053
EXPENSES			
Administration of Justice	922,214	-	922,214
Parks	53,025	-	53,025
County Administration	558,306	-	558,306
Health and Human Services	295,447	-	295,447
Flood Control	141,917	-	141,917
Tax Administration	23,083	-	23,083
Roads and Bridges	217,652	-	217,652
Interest and Fiscal Charges	21,244	-	21,244
Toll Road	-	270,687	270,687
Parking Facilities	-	2,901	2,901
Sheriff's Commissary	-	3,723	3,723
Total expenses	2,232,888	277,311	2,510,199
(Deficiency) Excess before other items and transfers	(1,486,517)	261,371	(1,225,146)
Transfers	123,908	(123,908)	-
Change in net position	(1,362,609)	137,463	(1,225,146)
Net position - beginning	9,871,235	1,913,516	11,784,751
Net position - ending	$ 8,508,626	$ 2,050,979	$ 10,559,605

Condensed Statement of Activities
(In Thousands)
For the Year Ended February 28, 2022

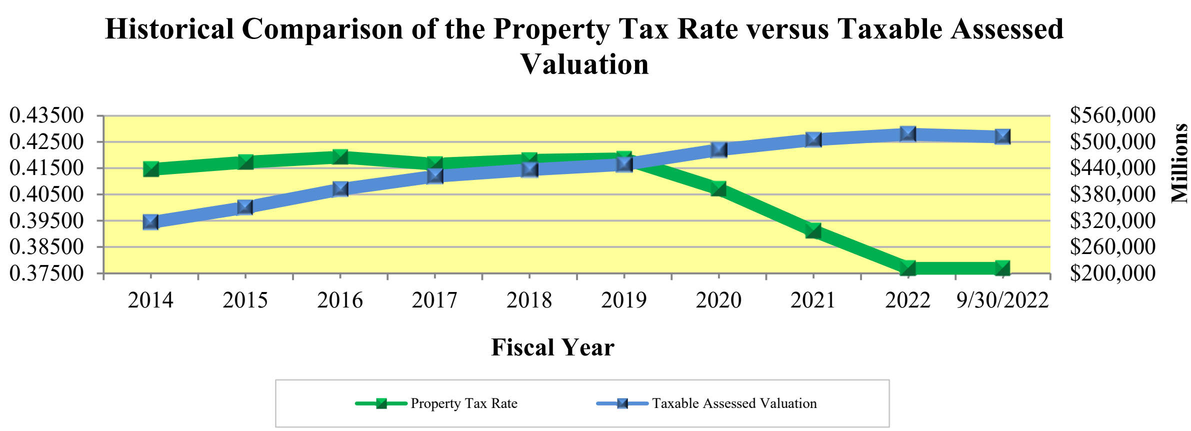
	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for Services	$ 310,921	$ 822,578	$ 1,133,499
Operating Grants and Contributions	739,588	-	739,588
Capital Grants and Contributions	300,869	-	300,869
General revenues:			
Taxes-levied for General Purposes	1,856,348	-	1,856,348
Taxes-levied for Debt Services	250,534	-	250,534
Hotel Occupancy Tax	41,910	-	41,910
Investment Earnings	6,052	3,294	9,346
Miscellaneous	144,469	2,580	147,049
Total revenues	3,650,691	828,452	4,479,143
EXPENSES			
Administration of Justice	1,565,921	-	1,565,921
Parks	94,277	-	94,277
County Administration	1,118,979	-	1,118,979
Health and Human Services	598,997	-	598,997
Flood Control	261,280	-	261,280
Tax Administration	54,356	-	54,356
Roads and Bridges	347,203	-	347,203
Interest and Fiscal Charges	68,221	-	68,221
Toll Road	-	467,943	467,943
Parking Facilities	-	6,342	6,342
Sheriff's Commissary	-	6,970	6,970
Total expenses	4,109,234	481,255	4,590,489
(Deficiency) Excess before other items and transfers	(458,543)	347,197	(111,346)
Transfers	253,955	(253,955)	-
Change in net position	(204,588)	93,242	(111,346)
Net position - beginning	10,075,823	1,820,274	11,896,097
Net position - ending	$ 9,871,235	$ 1,913,516	$ 11,784,751



Revenues

For period ended September 30, 2022, revenues for the primary government totaled $1,285,053,224. The revenues (including transfers) are categorized by activity type: governmental activities totaled $870,279,144 and business-type activities totaled $414,774,080.

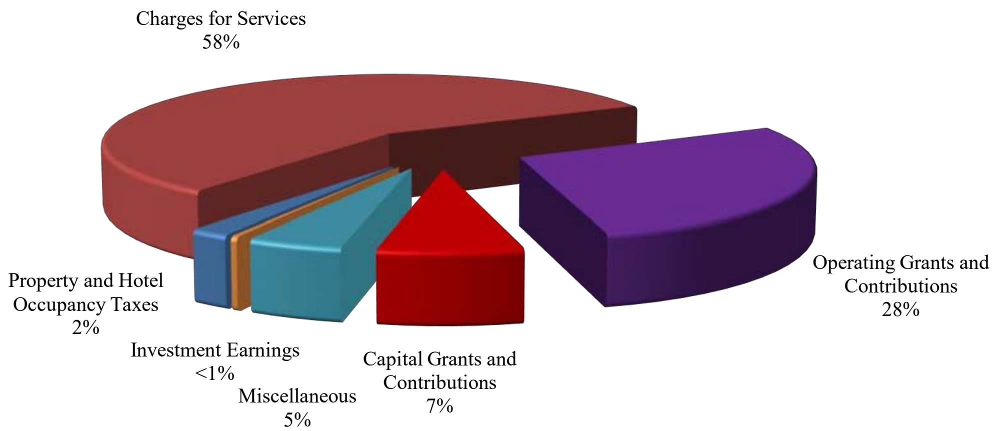
Due to the short reporting period, Property and Hotel Occupancy Taxes of $25,303,673 were the second smallest revenue source for governmental activities and 2% of total revenues, which is a $2,123,488,208 decrease from prior year taxes of $2,148,791,881. The tax rate was $.37693 per $100 of assessed value for the period ended September 30, 2022. The taxable assessed value decreased in period ended September 30, 2022 to $511,186,361,000 from the taxable assessed value in the prior fiscal year of $517,754,852,000.



Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were $1,194,352,315 or 93% of total revenues, which decreased $979,603,624 compared to the prior year. The largest portion of program revenues is Charges for Services of $738,016,756 (58% of total revenues). Of that $202,491,660 is from governmental activities, which includes fees collected by the tax collector, automobile registration, and charges for patrol services. The business-type Charges for Services were $535,525,096, a decrease of $287,052,547, due to the short reporting period. The other portions of program revenues are Operating Grants and Contributions of $364,437,306 (28% of total revenues) and Capital Grants and Contributions of $91,898,253 (7% of total revenues). Operating Grants and Contributions decreased by $375,150,579 due to the short reporting period.

General revenues are revenues that cannot be assigned to a specific function. They consist of taxes (previously discussed), Earnings on Investments of $4,373,152 (less than 1% of total revenues), and Miscellaneous income of $61,024,084 (5% of total revenues).

REVENUES BY SOURCE
Period ended September 30, 2022



Expenses

For period ended September 30, 2022, expenses for the primary government totaled $2,510,199,603. These expenses are divided by activity type: governmental activities of $2,232,888,478 and business-type activities of $277,311,125.

The County's largest governmental activities function is Administration of Justice. The main components of this function are the civil and criminal courts and the Sheriff's Office. Total expenses for this activity were $922,213,739 and were 37% of total expenses. The expenses can be attributed to salaries, fringe benefits, costs of housing and trial of inmates, fuel costs for patrol vehicles, and other related items.

The expenses for the Roads and Bridges governmental activities function were $217,652,064 or 9% of total expenses. The County owns and maintains over six thousand miles of roads and bridges.

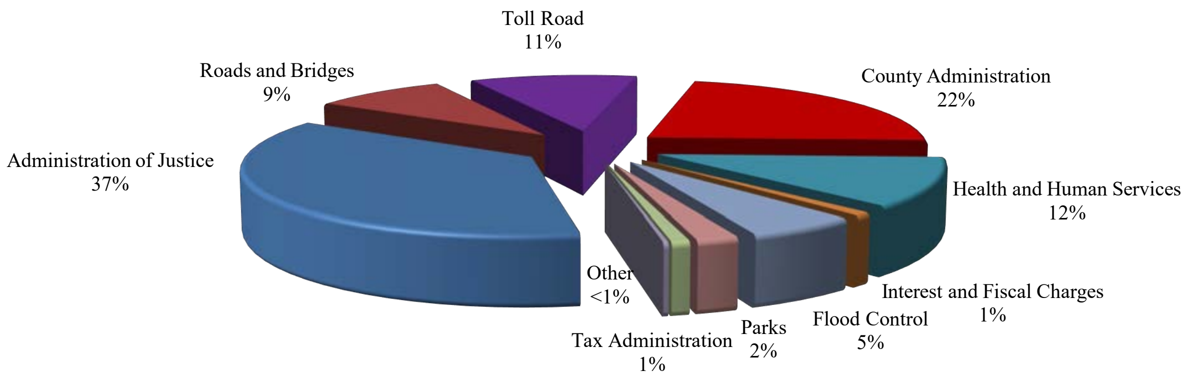
The County Administration governmental activities function expenses were $558,306,073 or 22% of total expenses. These expenses are attributable to costs and maintenance of the administrative offices of the County.

The Toll Road business-type activities function expenses were $270,687,552 or 11% of total expenses. This expense decreased $197,255,344 from the prior year due to the short reporting period. Expenses for other business-type activities were $6,623,573 and were less than 1% of total expenses. These activities are for Parking Facilities and Sheriff's Commissary.

The Interest and Fiscal Charges governmental activities functional expenses of $21,243,718 constituted 1% of total expenses and decreased $46,977,175 from prior year due to the shortened reporting period.

The remaining governmental activities functions are Health and Human Services with expenses of $295,446,714 or 12%, which includes operation of the County libraries, Flood Control with expenses of $141,917,667 or 5%, Parks with expenses of $53,024,874 or 2%, and Tax Administration with expenses of $23,083,629 or 1%.

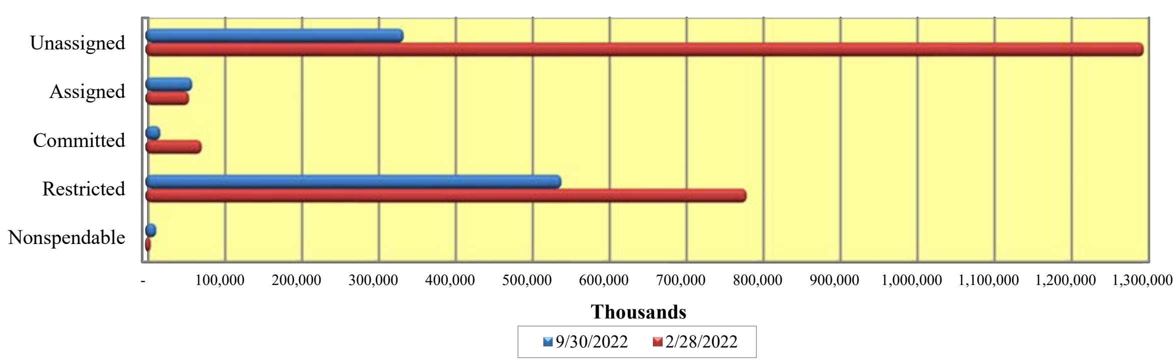
EXPENSES BY FUNCTION
Period ended September 30, 2022



FINANCIAL ANALYSIS OF MAJOR FUNDS

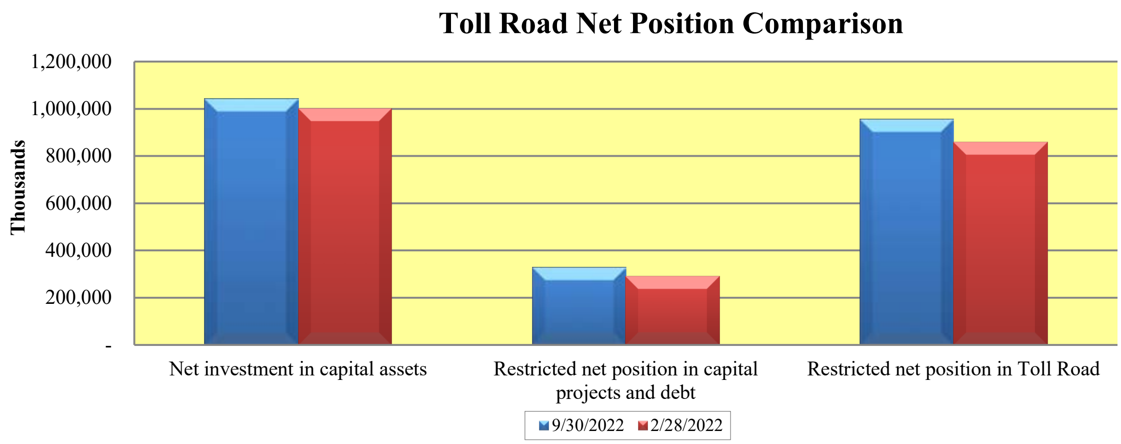
The General Fund is the County's chief operating fund and major governmental fund. For the period ended September 30, 2022, the General Fund reported a net fund balance decrease of $1,244,404,666 largely due to the effect of changing the reporting period on tax revenue recognition. The General Fund total fund balance is $971,403,832 for the period ended September 30, 2022 of which $14,108,512 is nonspendable, $541,094,389 is restricted, $19,437,780 is committed, $60,843,701 is assigned, and the remaining $335,919,450 is unassigned and available for the County's current and future needs.

General Fund Components of Fund Balance



As of September 30, 2022, the County added a new major fund (CDBG-DR Harvey fund) and continued to maintain the ARPA fund as a major fund. CDBG-DR Harvey is a special revenue fund used to account for rebuilding Texas communities after Hurricane Harvey. ARPA is a special revenue fund and was received by the County due to the COVID 19 pandemic. These funds had no effect on the County's overall fund balance.

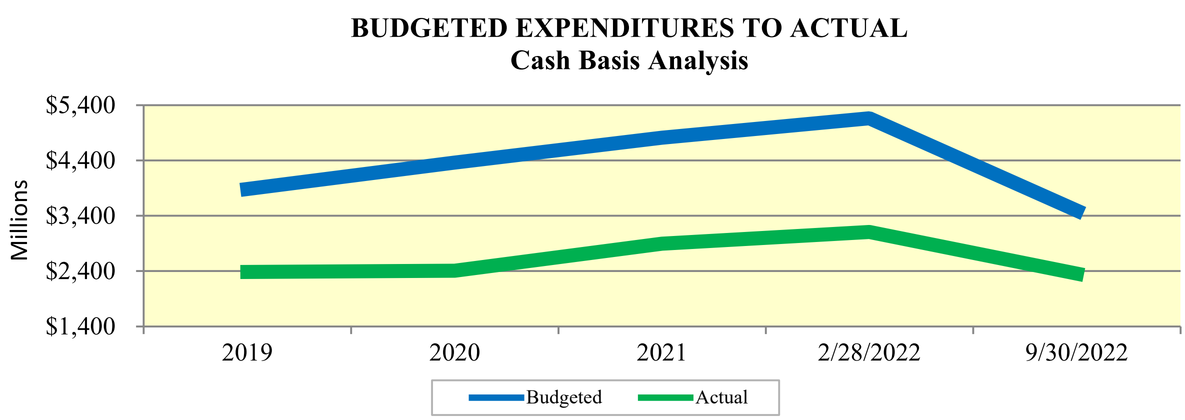
The Toll Road Fund was the County's only major proprietary fund at September 30, 2022. This fund is used to account for the acquisition, operation, and maintenance of County toll roads. As of September 30, 2022, net position included net investment in capital assets of $1,043,372,049, and restricted net position was $955,574,268.



GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget reflected an increase of $663,280,576 in available resources. This increase is primarily due to adjustments for transfers in, miscellaneous income, and the issuance of refunding bonds. Differences between the original budget and the final amended budget resulted in $658,928,210 increase in appropriations; this increase is due to additional revenue certifications being allocated for use.

During the period, actual available resources exceeded budgetary estimates by $24,203,139. This is primarily due to an increase of transfers in. Actual expenditures were $1,139,300,865 less than budgetary estimates. This difference is primarily due to a decrease in expenditures as a result of the carry forward of budget for capital projects for roads and bridges, maintenance funds, and mobility funds. Budget variances are not expected to impact future services or liquidity.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's capital assets, net of accumulated depreciation/amortization, for its governmental and business-type activities as of September 30, 2022, was $16,138,738,775 an increase of $136,862,567 from capital assets as of February 28, 2022 adjusted for the effects of GASB 87, Leases, as identified in Note 1 of $16,001,876,208. These capital assets include land, construction in progress, land improvements, buildings, park improvements and facilities, infrastructure, equipment, other tangible assets, as well as intangible assets such as easements and the County's license agreement to operate toll facilities on the Katy Freeway.

Major capital asset events during the current period included the following:

- The County has several ongoing capital improvement projects, including replacement facilities for many of the Harris County Sheriff's operations and renovations to other buildings as well as improvements to County roads.

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

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

	Capital Assets	
	Balance September 30, 2022	**Balance February 28, 2022**
Governmental Activities:		
Land	$ 4,932,968,988	$ 4,831,165,032
Construction in progress	896,457,847	916,163,323
Intangible assets - water rights	2,400,000	2,400,000
Intangible assets - software & licenses	166,525,837	161,425,072
Land improvements	27,170,730	21,992,264
Infrastructure	12,406,405,919	12,326,090,866
Park facilities	248,192,201	244,263,978
Flood control projects	1,223,703,968	1,071,953,355
Buildings	2,131,969,049	2,130,358,011
Equipment	515,465,940	502,756,920
Leased Buildings*	30,446,428	30,446,428
Leased Equipment*	13,040,668	13,040,668
	22,594,747,575	22,252,055,917
Less: Accumulated depreciation	(9,796,607,328)	(9,534,345,172)
Total governmental activities	$ 12,798,140,247	$ 12,717,710,745

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1.

	Balance September 30, 2022	**Balance February 28, 2022**
Business-type Activities:		
Land	$ 389,562,511	$ 387,936,631
Construction in progress	1,301,650,784	1,453,260,834
Intangible assets - license agreement	237,500,000	237,500,000
Land improvements	21,266,409	21,266,409
Infrastructure	3,213,281,610	2,956,613,883
Other tangible assets	7,489,687	8,937,074
Buildings	43,615,443	43,615,443
Equipment	67,275,563	72,776,687
Leased Buildings*	3,949,223	3,949,223
Leased Equipment*	121,530	121,530
	5,285,712,760	5,185,977,714
Less: Accumulated depreciation	(1,945,114,232)	(1,901,812,251)
Total business-type activities	$ 3,340,598,528	$ 3,284,165,463

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1

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

Long-term Liabilities. At September 30, 2022, the County had total long-term liabilities outstanding of $8,300,066,639. County officials, citizens and investors will find the ratio of bonded debt to taxable value of property and the amount of bonded debt per capita as useful indicators of the County's debt position. General bonded debt represented 0.56% and 0.50% of taxable value of property for the period ended September 30, 2022 and fiscal year ended February 28, 2022 respectively. Debt per capita was $1,113 and $1,121 for the period ended September 30, 2022 and fiscal year ended February 28, 2022, respectively.

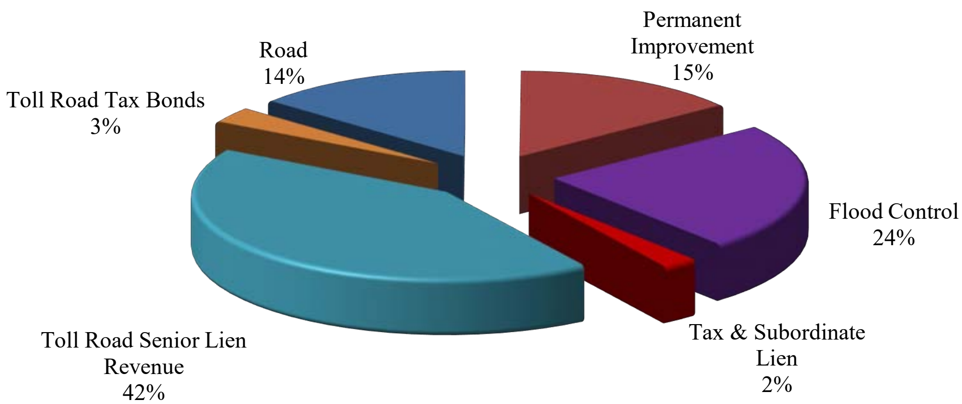
	Long-term Liabilities			
	Outstanding at September 30, 2022		Outstanding at February 28, 2022	
Governmental Activities:				
Bonds payable	$	2,880,144,928	$	2,593,542,950
Commercial paper payable		97,125,000		191,525,000
Compensatory time payable		49,768,879		50,843,875
Judgments payable		4,300,000		1,800,000
Loan payable		34,131,780		35,885,505
Net OPEB Liability		2,644,926,111		3,752,431,300
Pollution remediation obligation		5,472,793		5,164,136
Lease Payable*		38,276,337		43,487,096
Total governmental activities	$	5,754,145,828	$	6,674,679,862
Business-type Activities:				
Bonds payable	$	2,370,243,599	$	2,484,999,345
Commercial paper payable		36,600,000		-
Compensatory time payable		1,523,614		1,523,453
Net OPEB Liability		117,667,442		169,902,366
Hedging derivative instruments		16,344,226		39,298,374
Lease Payable*		3,541,930		4,070,753
Total business-type activities	$	2,545,920,811	$	2,699,794,291

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1

The County has a continuing goal to sustain the County's debt rating. As of September 30, 2022, the bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. assigned the County long term bond ratings of Aaa, AAA, and AAA, respectively.

Please refer to Note 8 to the financial statements for further information on the County's long-term liabilities. In the current period, the net pension liability remained as a net pension asset. See Note 9 and Note 10 to the financial statements for further information on the County's Net Pension Asset and Net OPEB Liability.

Bonds Payable by Type as of September 30, 2022



ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2022 was approximately 4.5%. This is a decrease from the prior year rate of 6.5%. The state unemployment rate for calendar year 2022 was 3.9%.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 766,689,536	$ 469,692,431	$ 1,236,381,967	$ 1,041,426,001
Investments	1,783,633,234	554,654,797	2,338,288,031	325,237,395
Taxes receivable, net	14,787,010	-	14,787,010	3,140,000
Accounts receivable, net	543,039,820	502,606	543,542,426	129,231,836
Accrued interest receivable	3,390,496	2,310,562	5,701,058	-
Lease receivable	3,045,839	12,769	3,058,608	-
Other receivables, net	50,287,711	95,045,046	145,332,757	497,907,394
Internal balances	792,875	(792,875)	-	-
Inventories, prepaids and other assets	47,269,719	2,904,423	50,174,142	503,757,334
Restricted:				
Cash and cash equivalents	15,680,156	25,399,128	41,079,284	194,857,282
Investments	3	314,217,976	314,217,979	-
Notes receivable	5,911,489	32,789	5,944,278	-
Net pension assets - restricted	245,091,833	8,331,301	253,423,134	-
Capital assets:				
Land and construction in progress	5,829,426,835	1,691,213,295	7,520,640,130	237,832,874
Intangible assets, net of amortization (when applicable)	92,049,890	162,053,914	254,103,804	-
Other capital assets, net of depreciation	6,876,663,522	1,487,331,319	8,363,994,841	494,295,504
Total assets	16,277,759,968	4,812,909,481	21,090,669,449	3,427,685,620
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	14,129,779	36,304,705	50,434,484	7,180,000
Pension contributions after measurement date	142,577,481	5,098,543	147,676,024	-
Difference in projected and actual experience on pension assets	6,899,110	-	6,899,110	-
Changes in OPEB assumptions and difference between expected and actual experience	1,046,732,525	46,985,567	1,093,718,092	-
Changes in pension assumptions	282,869,581	9,626,687	292,496,268	-
Resources related to pension	-	-	-	188,152,000
Unamortized costs on swap liability	-	16,344,226	16,344,226	385,000
Total deferred outflows of resources	1,493,208,476	114,359,728	1,607,568,204	195,717,000
LIABILITIES				
Vouchers payable and other current liabilities	517,813,356	109,393,460	627,206,816	326,126,326
Due to other governmental units	358,570	35,845,277	36,203,847	-
Other liabilities	-	-	-	536,069,000
Unearned revenue	801,760,105	96,968,777	898,728,882	3,585,270
Accrued interest	818,179	-	818,179	1,076,000
Long-term liabilities:				
Due within one year	94,619,781	102,682,635	197,302,416	21,509,210
Due in more than one year	5,659,526,047	2,443,238,176	8,102,764,223	958,675,514
Total liabilities	7,074,896,038	2,788,128,325	9,863,024,363	1,847,041,320
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension earnings	897,648,154	30,312,696	927,960,850	-
Resources related to pension	-	-	-	88,153,000
Changes in OPEB assumptions	1,286,762,977	57,836,496	1,344,599,473	130,542,000
Lease	3,035,743	12,719	3,048,462	-
Total deferred inflows of resources	2,187,446,874	88,161,911	2,275,608,785	218,695,000
NET POSITION				
Net investment in capital assets	10,137,032,269	1,060,499,068	11,197,531,337	329,798,723
Restricted for:				
Debt service	10,382,995	316,887,950	327,270,945	33,553,000
Capital projects	92,710,228	11,294,343	104,004,571	45,341,000
Operating reserve per bond covenants	-	105,122,450	105,122,450	-
Other	248,785,615	-	248,785,615	42,710,781
Mobility program	535,123,978	-	535,123,978	-
Toll Road	-	522,269,525	522,269,525	-
Unrestricted	(2,515,409,553)	34,905,637	(2,480,503,916)	1,106,262,796
Total net position	$ 8,508,625,532	$ 2,050,978,973	$ 10,559,604,505	$ 1,557,666,300

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Seven Months Ended September 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
			Operating	Capital				
		Charges for	Grants and	Grants and	Governmental	Business-type		Component
Functions/Programs	**Expenses**	**Services**	**Contributions**	**Contributions**	**Activities**	**Activities**	**Total**	**Units**
Primary government:								
Governmental activities:								
Administration of Justice	$ 922,213,739	$ 110,664,028	$ 75,108,849	$ 8,518,370	$ (727,922,492)	$ -	$ (727,922,492)	
Parks	53,024,874	2,135,238	433,132	-	(50,456,504)	-	(50,456,504)	
County Administration	558,306,073	40,816,675	38,492,920	-	(478,996,478)	-	(478,996,478)	
Health and Human Services	295,446,714	11,229,689	250,255,111	-	(33,961,914)	-	(33,961,914)	
Flood Control	141,917,667	367,947	-	36,130,171	(105,419,549)	-	(105,419,549)	
Tax Administration	23,083,629	9,900,963	-	-	(13,182,666)	-	(13,182,666)	
Road and Bridges	217,652,064	27,377,120	147,294	47,249,712	(142,877,938)	-	(142,877,938)	
Interest and Fiscal Charges	21,243,718	-	-	-	(21,243,718)	-	(21,243,718)	
Total governmental activities	2,232,888,478	202,491,660	364,437,306	91,898,253	(1,574,061,259)	-	(1,574,061,259)	
Business-type activities:								
Toll Road	270,687,552	532,151,298	-	-	-	261,463,746	261,463,746	
Parking Facilities	2,900,817	2,608,010	-	-	-	(292,807)	(292,807)	
Sheriff's Commissary	3,722,756	765,788	-	-	-	(2,956,968)	(2,956,968)	
Total business-type activities	277,311,125	535,525,096	-	-	-	258,213,971	258,213,971	
Total primary government	$ 2,510,199,603	$ 738,016,756	$ 364,437,306	$ 91,898,253	(1,574,061,259)	258,213,971	(1,315,847,288)	
Component units:								
Harris Center for Mental Health & IDD (formerly MHMRA)	$ 307,833,371	$ 48,192,394	$ 194,100,515	$ -				$ (65,540,462)
Hospital District	3,437,006,000	396,517,000	2,825,996,000	-				(214,493,000)
Other component units	5,379,996	1,854,504	3,407,027	-				(118,465)
Total component units	$ 3,750,219,367	$ 446,563,898	$ 3,023,503,542	$ -				(280,151,927)
General revenues:								
Taxes:								
Property and Hotel Occupancy taxes					25,303,673	-	25,303,673	2,237,000
Earnings on Investments					2,874,547	1,498,605	4,373,152	17,180,608
Miscellaneous					59,366,070	1,658,014	61,024,084	98,456,497
Transfers					123,907,635	(123,907,635)	-	-
Total general revenues and other items					211,451,925	(120,751,016)	90,700,909	117,874,105
Change in net position					(1,362,609,334)	137,462,955	(1,225,146,379)	(162,277,822)
Net position - beginning					9,871,234,866	1,913,516,018	11,784,750,884	1,719,944,122
Net position - ending					$ 8,508,625,532	$ 2,050,978,973	$ 10,559,604,505	$ 1,557,666,300

See notes to the financial statements.

HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

	General	CDBG-DR HARVEY	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash and cash equivalents	$ 97,068,687	$ 9,065	$ 140,306,629	$ 450,911,062	$ 688,295,443
Investments	904,898,522	-	579,976,675	204,900,584	1,689,775,781
Receivables:					
Taxes, net	13,206,544	-	-	1,580,466	14,787,010
Accounts, net	19,690,679	161,558,806	-	358,788,285	540,037,770
Accrued interest	2,206,525	-	483,255	475,129	3,164,909
Lease	2,639,600	-	-	406,239	3,045,839
Other, net	21,708,099	-	-	15,291,939	37,000,038
Due from other funds	193,407,778	-	46,954,897	240,967,092	481,329,767
Prepaids and other assets	12,374,991	6,257,007	-	25,065,789	43,697,787
Inventories	1,363,521	-	-	-	1,363,521
Advances to other funds	370,000	-	-	2,130,000	2,500,000
Restricted cash and cash equivalents	5,661,667	-	-	10,018,489	15,680,156
Restricted investments	3	-	-	-	3
Notes receivable	-	-	-	5,911,489	5,911,489
Total assets	1,274,596,616	167,824,878	767,721,456	1,316,446,563	3,526,589,513
LIABILITIES					
Vouchers payable	87,054,554	1,898,918	6,170,804	137,757,078	232,881,354
Accrued payroll	168,108,985	-	739,501	11,395,017	180,243,503
Retainage payable	6,129,510	-	-	21,818,397	27,947,907
Due to other funds	6,498,663	165,789,929	-	299,750,927	472,039,519
Due to other governmental units	-	-	-	358,570	358,570
Other liabilities	151,461	-	263,629	-	415,090
Customer Deposits	-	-	-	4,012,292	4,012,292
Advances from other funds	-	-	-	2,500,000	2,500,000
Unearned revenue	7,996,914	136,031	760,547,522	33,481,463	802,161,930
Total liabilities	275,940,087	167,824,878	767,721,456	511,073,744	1,722,560,165
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	13,192,783	-	-	2,531,740	15,724,523
Unavailable revenue-other	11,429,243	-	-	5,816,621	17,245,864
Deferred lease revenues	2,630,671	-	-	405,072	3,035,743
Total deferred inflows of resources	27,252,697	-	-	8,753,433	36,006,130
FUND BALANCES					
Nonspendable	14,108,512	-	-	24,894,529	39,003,041
Restricted	541,094,389	-	-	712,450,056	1,253,544,445
Committed	19,437,780	-	-	59,307,357	78,745,137
Assigned	60,843,701	-	-	-	60,843,701
Unassigned	335,919,450	-	-	(32,556)	335,886,894
Total fund balances	971,403,832	-	-	796,619,386	1,768,023,218
Total liabilities, deferred inflows of resources, and fund balances	$ 1,274,596,616	$ 167,824,878	$ 767,721,456	$ 1,316,446,563	$ 3,526,589,513

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances for governmental funds		$ 1,768,023,218
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets (excluding internal service fund capital assets) consist of:		
Land	$ 4,932,718,988	
Construction in progress	895,818,449	
Intangible assets - water rights	2,400,000	
Intangible assets - software and licenses, net of $114,887,661 accumulated amortization	51,638,176	
Land improvements, net of $7,667,281 accumulated depreciation	19,503,449	
Infrastructure, net of $7,691,131,707 accumulated depreciation	4,715,274,212	
Parks, net of $106,275,453 accumulated depreciation	141,916,748	
Flood control projects, net of $612,578,378 accumulated depreciation	611,125,590	
Buildings, net of $891,540,648 accumulated depreciation	1,238,959,833	
Equipment and vehicles, net of $297,512,350 accumulated depreciation	135,532,558	
Leased Buildings, net of $3,153,445 accumulated depreciation	27,292,983	
Leased Equipment and vehicles, net of $2,321,937 accumulated depreciation	10,718,731	
		12,782,899,717
Long-term liabilities applicable to Harris County's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - and deferred outflows and inflows are reported in the statement of net position. Balances (excluding internal service fund liabilities, where applicable) as of September 30, 2022 were:		
Deferred charge on refundings	14,129,779	
Deferred outflow - Pension contributions after measurement date	142,577,481	
Deferred outflow - Difference in projected and actual experience on pension assets	6,899,110	
Deferred outflow - Changes in pension assumptions	282,869,581	
Deferred outflow - OPEB assumptions and difference between expected and actual experience	1,046,732,525	
Accrued interest on bonds and loans	(818,179)	
Bonds payable	(2,880,144,928)	
Judgments payable	(4,300,000)	
Loan payable	(34,131,780)	
Interest	51,212	
Commercial paper payable	(97,125,000)	
Unearned Revenue	554,423	
Compensated absences	(49,408,114)	
Net OPEB liability	(2,644,926,111)	
Net pension asset	245,091,833	
Pollution remediation obligation	(5,472,623)	
Lease Liability	(38,276,337)	
Deferred inflow - Changes in OPEB assumptions	(1,286,762,977)	
Deferred inflow - Difference in expected and actual pension earnings	(897,648,154)	
		(6,200,108,259)
Internal service funds are used by the County. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. Internal service fund net position is:		124,840,469
Some of the County's assets are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		32,970,387
Total net position of governmental activities		$ 8,508,625,532

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Seven Months Ended September 30, 2022

	General	CDBG-DR HARVEY	ARPA	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 23,694,106	$ -	$ -	$ 29,226,924	$ 52,921,030
Charges for services	118,896,040	-	-	39,338,464	158,234,504
User fees	11,194	-	-	-	11,194
Fines and forfeitures	7,687,387	-	-	-	7,687,387
Lease revenue	632,877	-	-	402,667	1,035,544
Intergovernmental	46,660,351	105,622,313	2,028,754	271,409,415	425,720,833
Earnings on investments	412,787	-	2,923,044	1,496,015	4,831,846
Miscellaneous	34,300,947	5,180,162	-	35,553,453	75,034,562
Total revenues	232,295,689	110,802,475	4,951,798	377,426,938	725,476,900
EXPENDITURES					
Current operating:					
Administration of Justice	815,523,932	-	26,093,717	75,309,929	916,927,578
Parks	37,889,262	-	-	9,878,165	47,767,427
County Administration	311,173,989	-	8,288,193	129,649,392	449,111,574
Health and Human Services	84,841,124	90,726,517	-	117,136,278	292,703,919
Flood Control	-	-	-	107,108,727	107,108,727
Tax Administration	22,177,971	-	-	725,549	22,903,520
Roads and Bridges	61,062,756	-	-	3,046,263	64,109,019
Capital outlay	34,479,544	21,857,357	32,815	254,161,014	310,530,730
Debt service:					
Principal retirement	75,191,467	-	-	82,099,292	157,290,759
Payment on loans	-	-	-	1,519,019	1,519,019
Bond issuance costs	1,018,689	-	-	2,134,820	3,153,509
Interest and fiscal charges	31,482,721	-	-	68,114,877	99,597,598
Total expenditures	1,474,841,455	112,583,874	34,414,725	850,883,325	2,472,723,379
Excess (deficiency) of revenues under expenditures	(1,242,545,766)	(1,781,399)	(29,462,927)	(473,456,387)	(1,747,246,479)
OTHER FINANCING SOURCES (USES)					
Transfers in	347,632,916	2,360,224	29,481,277	107,211,461	486,685,878
Transfers out	(58,387,916)	(578,825)	(18,350)	(305,918,905)	(364,903,996)
Refunding bonds issued	186,275,000	-	-	460,625,000	646,900,000
Premium on bonds issued	24,906,099	-	-	32,239,159	57,145,258
Commercial paper issued	-	-	-	469,625,000	469,625,000
Payments to defease commerical paper	(328,800,000)	-	-	(235,225,000)	(564,025,000)
Payment to escrow agent	(173,663,172)	-	-	(55,858,422)	(229,521,594)
Proceeds from sale of capital assets	178,173	-	-	3,562,537	3,740,710
Total other financing sources (uses)	(1,858,900)	1,781,399	29,462,927	476,260,830	505,646,256
Net changes in fund balances	(1,244,404,666)	-	-	2,804,443	(1,241,600,223)
Fund balances, beginning	2,215,808,498	-	-	793,814,943	3,009,623,441
Fund balances, ending	$ 971,403,832	$ -	$ -	$ 796,619,386	$ 1,768,023,218

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Seven Months Ended September 30, 2022

Net change in fund balances - total governmental funds		$ (1,241,600,223)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of $310,530,730 exceeded depreciation of $266,252,803 in the current period.		44,277,927
Capital asset donations		47,830,906
Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Debt issued:		
Bonds	$ (646,900,000)	
Bond premiums	(57,145,258)	
Commercial paper	(469,625,000)	
Repayments:		
To paying agent for bond principal	146,938,406	
To refunding bond escrow agent	229,521,594	
Defeasance of commercial paper	564,025,000	
Leases	5,210,759	
Loans	1,753,725	
Net adjustment		(226,220,774)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues.		
Compensated absences	1,435,761	
Judgments payable	(2,500,000)	
Net OPEB liability	(122,645,883)	
Net pension asset	114,478,701	
Pollution remediation obligation	(87,816)	
Amortization of debt premium	42,842,714	
Accretion of capital appreciation bond interest	(1,859,436)	
Amortization of advanced refunding difference	(2,427,784)	
Accrued interest on debt	40,998,246	
Combined adjustment		70,234,503
Internal service funds are used by the County. The net revenue of the internal service funds are reported with governmental activities.		(16,280,055)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(31,361,696)
The net effect of disposal of capital assets is to decrease net position.		(9,500,653)
Other		10,731
Change in net position of governmental activities		$ (1,362,609,334)

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 447,287,214	$ 22,405,217	$ 469,692,431	$ 78,394,093
Investments	534,671,441	19,983,356	554,654,797	93,857,453
Receivables, net	28,788	473,818	502,606	3,002,050
Accrued interest receivable	2,278,899	31,663	2,310,562	174,376
Other receivable, net	94,345,957	699,089	95,045,046	13,287,673
Lease receivable	12,769	-	12,769	-
Due from other funds	-	67	67	1,598,899
Due from other units	-	-	-	1,453
Prepaids and other assets	1,020,915	-	1,020,915	979,392
Inventories	1,883,508	-	1,883,508	1,227,565
Total current assets	1,081,529,491	43,593,210	1,125,122,701	192,522,954
Noncurrent assets:				
Restricted cash and cash equivalents	25,399,128	-	25,399,128	-
Restricted investments	314,217,976	-	314,217,976	-
Notes receivable	32,789	-	32,789	-
Restricted net pension asset	8,331,301	-	8,331,301	-
Capital assets:				
Land and construction in progress	1,687,180,396	4,032,899	1,691,213,295	889,398
License agreement/Intangibles, net of amortization	162,053,914	-	162,053,914	-
Other capital assets, net of depreciation	1,474,237,199	13,094,120	1,487,331,319	14,351,132
Total noncurrent assets	3,671,452,703	17,127,019	3,688,579,722	15,240,530
Total assets	4,752,982,194	60,720,229	4,813,702,423	207,763,484
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	36,304,705	-	36,304,705	-
Pension contributions after measurement date	5,098,543	-	5,098,543	-
Changes in pension assumptions	9,626,687	-	9,626,687	-
Changes in OPEB assumptions and difference between expected and actual experience	46,985,567	-	46,985,567	-
Unamortized costs on swap liability	16,344,226	-	16,344,226	-
Total deferred outflows of resources	114,359,728	-	114,359,728	-
LIABILITIES				
Current liabilities:				
Vouchers payable	75,279,757	1,663,842	76,943,599	9,998,179
Accrued payroll and compensatory time	4,028,598	71,872	4,100,470	783,683
Retainage payable	28,189,720	-	28,189,720	-
Estimated outstanding claims	-	-	-	39,174,644
Incurred but not reported claims	-	-	-	22,356,874
Customer deposits	159,671	-	159,671	-
Due to other funds	792,942	-	792,942	10,096,272
Due to other governmental units	35,845,277	-	35,845,277	-
Unearned revenue	90,038,665	6,930,112	96,968,777	152,598
Current portion of long-term liabilities	102,682,635	-	102,682,635	187,599
Total current liabilities	337,017,265	8,665,826	345,683,091	82,749,849
Noncurrent liabilities:				
Bonds payable	2,271,234,221	-	2,271,234,221	-
Interst payable	-	-	-	-
Lease payable	2,623,578	-	2,623,578	-
Commercial Paper Payable	36,600,000	-	36,600,000	-
Compensatory time payable	724,962	21,747	746,709	173,166
Net OPEB liability	115,689,442	-	115,689,442	-
Hedging derivative instruments	16,344,226	-	16,344,226	-
Total noncurrent liabilities	2,443,216,429	21,747	2,443,238,176	173,166
Total liabilities	2,780,233,694	8,687,573	2,788,921,267	82,923,015
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension earnings	30,312,696	-	30,312,696	-
Changes in OPEB assumptions	57,836,496	-	57,836,496	-
Lease	12,719	-	12,719	-
Total deferred inflows of resources	88,161,911	-	88,161,911	-
NET POSITION				
Net investment in capital assets	1,043,372,049	17,127,019	1,060,499,068	15,240,530
Restricted for:				
Debt service	316,887,950	-	316,887,950	-
Capital projects	11,294,343	-	11,294,343	-
Operating reserve per bond covenants and other purposes	105,122,450	-	105,122,450	-
Toll Road	522,269,525	-	522,269,525	-
Unrestricted	-	34,905,637	34,905,637	109,599,939
Total net position	$ 1,998,946,317	$ 52,032,656	$ 2,050,978,973	$ 124,840,469

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For The Seven Months Ended September 30, 2022

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Toll revenues	$ 532,151,298	$ -	$ 532,151,298	$ -
Charges to departments	-	-	-	257,033,482
Sales	-	357,988	357,988	-
User fees	-	2,608,010	2,608,010	1,931,990
Miscellaneous	-	407,800	407,800	-
Total operating revenues	532,151,298	3,373,798	535,525,096	258,965,472
OPERATING EXPENSES				
Salaries	40,501,868	766,490	41,268,358	7,570,565
Materials and supplies	13,233,260	1,113,718	14,346,978	2,733,005
Services and fees	106,470,753	4,194,440	110,665,193	7,530,825
Utilities	2,000,241	74,656	2,074,897	187,330
Transportation and travel	2,430,384	-	2,430,384	12,350,285
Incurred claims	-	-	-	249,843,747
Estimated claims & changes in estimates	-	-	-	(4,132,176)
Cost of goods sold	-	-	-	357,293
Depreciation and amortization	52,549,680	474,269	53,023,949	4,249,556
Total operating expenses	217,186,186	6,623,573	223,809,759	280,690,430
Operating income/(loss)	314,965,112	(3,249,775)	311,715,337	(21,724,958)
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	1,562,418	(63,813)	1,498,605	117,401
Lease income	4,946	-	4,946	-
Interest expense	(50,466,318)	-	(50,466,318)	-
Bond issuance cost	(1,540,276)	-	(1,540,276)	-
Gain/(Loss) on disposal of capital assets	181,937	-	181,937	167,632
Amortization expense	(1,676,709)	-	(1,676,709)	-
Other nonoperating revenue	1,653,068	-	1,653,068	3,034,117
Total nonoperating revenues (expenses)	(50,280,934)	(63,813)	(50,344,747)	3,319,150
Income (loss) before transfers and contributions	264,684,178	(3,313,588)	261,370,590	(18,405,808)
Transfers in	-	-	-	2,125,753
Transfers out	(123,907,635)	-	(123,907,635)	-
Total transfers and contributions	(123,907,635)	-	(123,907,635)	2,125,753
Change in net position	140,776,543	(3,313,588)	137,462,955	(16,280,055)
Net position, beginning	1,858,169,774	55,346,244	1,913,516,018	141,120,524
Net position, ending	$ 1,998,946,317	$ 52,032,656	$ 2,050,978,973	$ 124,840,469

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Seven Months Ended September 30, 2022

	Enterprise Funds			
	Toll Road Authority	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 517,325,387	$ 10,626,671	$ 527,952,058	$ 269,368,740
Payments to employees	(39,883,531)	(787,466)	(40,670,997)	(7,873,643)
Payments to vendors	(131,559,768)	(5,837,700)	(137,397,468)	(24,620,135)
Claims paid	-	-	-	(249,059,729)
Receipts from miscellaneous reimbursements	1,653,068	-	1,653,068	3,034,117
Payments from other governmental units	8,891,990	-	8,891,990	-
Net cash provided by (used for) operating activities	356,427,146	4,001,505	360,428,651	(9,150,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	2,125,753
Transfers to other funds	(123,907,635)	-	(123,907,635)	-
Net cash provided by (used for) noncapital financing activities	(123,907,635)	-	(123,907,635)	2,125,753
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipts from lease of capital assets	4,453	-	4,453	-
Purchases of capital assets	(106,089,948)	299,798	(105,790,150)	(1,618,404)
Proceeds from sale of capital assets	267,000	-	267,000	-
Principal paid on capital debt	(84,803,823)	-	(84,803,823)	-
Interest paid on capital debt	(16,986,023)	-	(16,986,023)	-
Bonds Payable proceeds	194,030,000	-	194,030,000	-
Escrow paid on refunded debt	(227,290,000)	-	(227,290,000)	-
Commercial Paper proceeds	36,600,000	-	36,600,000	-
Bond Fees	(1,540,276)	-	(1,540,276)	-
Net cash used for capital and related financing activities	(205,808,617)	299,798	(205,508,819)	(1,618,404)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(781,220,069)	-	(781,220,069)	(16,803,090)
Proceeds from sales and maturities of investments	664,828,921	-	664,828,921	16,916,533
Interest paid	-	(5,814,389)	(5,814,389)	-
Interest received	1,133,242	-	1,133,242	13,824,503
Net cash provided by (used for) investing activities	(115,257,906)	(5,814,389)	(121,072,295)	13,937,946
Net change in cash and cash equivalents	(88,547,012)	(1,513,086)	(90,060,098)	5,294,645
Cash and cash equivalents, beginning	561,233,354	23,918,303	585,151,657	73,099,448
Cash and cash equivalents, ending	$ 472,686,342	$ 22,405,217	$ 495,091,559	$ 78,394,093
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	$ 314,965,112	$ (3,249,775)	$ 311,715,337	$ (21,724,958)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	52,549,680	474,269	53,023,949	4,249,556
Other nonoperating expenses	1,653,068	-	1,653,068	3,034,117
Changes in current assets and liabilities:				
Accounts Receivables, net	12,728	337,040	349,768	10,254,672
Other Receivables	(19,081,455)	-	(19,081,455)	-
Prepaids and other assets	47,161	-	47,161	95,905
Inventories	2,837,373	-	2,837,373	357,293
Deferred Outflows for Pension and OPEB	(3,852,528)	-	(3,852,528)	-
Vouchers payable and accrued liabilities	7,099,162	(454,886)	6,644,276	(5,374,503)
Retainage payable	(11,041,676)	-	(11,041,676)	-
Due to primary government	(7,820,212)	-	(7,820,212)	-
Due to other governmental units	8,891,990	-	8,891,990	-
Other liabilities	140	6,915,833	6,915,973	-
Net Pension Asset and OPEB liability	(51,906,924)	-	(51,906,924)	-
Unearned revenue	4,242,676	-	4,242,676	(35,331)
Compensatory time payable	(5,645)	(20,976)	(26,621)	(7,401)
Deferred Inflows for Pension and OPEB	57,836,496	-	57,836,496	-
Net cash provided by (used for) operating activities	$ 356,427,146	$ 4,001,505	$ 360,428,651	$ (9,150,650)
Non-Cash Capital and Related Financing, And Investing Activities:				
Increase in fair value of hedging derivative instruments	$ 22,954,148	$ -	$ 22,954,148	$ -
Increase (decrease) in fair value of investments	(11,234,052)	5,736,632	(5,497,420)	(13,881,948)
Purchase of capital assets on account	(4,135,775)	-	(4,135,775)	-

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2022

	CUSTODIAL FUNDS
ASSETS	
Cash and cash equivalents	$ 252,962,726
Investments	129,648,990
Accounts receivable, net	2,086,360
Other receivables, net	73
Total assets	$ 384,698,149
LIABILITIES	
Held for others	$ 1,344,022
Due to other governments	183,418,786
Total liabilities	184,762,808
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	199,935,341
Total net position	$ 199,935,341

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
for the Seven Months Ended September 30, 2022

	CUSTODIAL FUNDS
ADDITIONS	
Tax collections for other governments	$ 3,057,949,747
Held for others	118,507,800
Interest on investments	354,246
Total additions	3,176,811,793
DEDUCTIONS	
Payments to other governments	3,140,908,093
Payments to individuals	129,587,432
Investment loss	1,501
Total deductions	3,270,497,026
Net increase in fiduciary net position	(93,685,233)
Net position - beginning	293,620,574
Net position - ending	$ 199,935,341

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION - COMPONENT UNITS
SEPTEMBER 30, 2022

	Harris Center for Mental Health and IDD (formerly MHMRA)	Harris County Hospital District dba Harris Health System	Nonmajor Component Units	Total
ASSETS				
Cash and cash equivalents	$ 33,940,189	$ 993,788,000	$ 13,697,812	$ 1,041,426,001
Investments, including accrued interest	57,702,576	263,605,000	3,929,819	325,237,395
Receivables:				
Taxes, net	-	3,140,000	-	3,140,000
Accounts, net	13,972,342	114,899,000	360,494	129,231,836
Other	16,555,394	481,352,000	-	497,907,394
Inventories	398,223	10,669,000	-	11,067,223
Prepaids and other assets	5,580,120	486,876,000	233,991	492,690,111
Restricted cash and investments	417,893	194,388,000	51,389	194,857,282
Capital assets:				
Land,improvements, and construction in progress	12,654,193	219,213,000	5,965,681	237,832,874
Other capital assets, net of depreciation	51,481,353	415,358,000	27,456,151	494,295,504
Total assets	192,702,283	3,183,288,000	51,695,337	3,427,685,620
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refundings	-	7,180,000	-	7,180,000
Derivative instruments	-	385,000	-	385,000
Resources Related to Pension	-	188,152,000	-	188,152,000
Total deferred outflows of resources	-	195,717,000	-	195,717,000
LIABILITIES				
Vouchers payable and accrued liabilities	17,722,466	308,374,000	29,860	326,126,326
Other liabilities	-	536,069,000	-	536,069,000
Unearned revenue	3,573,329	-	11,941	3,585,270
Accrued interest payable	-	1,076,000	-	1,076,000
Noncurrent liabilities:				
Due within one year	783,210	20,726,000	-	21,509,210
Due in more than one year	9,098,514	949,577,000	-	958,675,514
Total liabilities	31,177,519	1,815,822,000	41,801	1,847,041,320
DEFERRED INFLOWS OF RESOURCES				
Resources Related to Pension	-	88,153,000	-	88,153,000
Resources Related to OPEB	-	130,542,000	-	130,542,000
Total deferred inflows of resources	-	218,695,000	-	218,695,000
NET POSITION				
Net investment in capital assets	66,082,723	263,716,000	-	329,798,723
Restricted for:				
Debt service	-	33,553,000	-	33,553,000
Capital projects	-	45,341,000	-	45,341,000
Donor restrictions	-	42,465,000	245,781	42,710,781
Unrestricted net position	95,442,041	959,413,000	51,407,755	1,106,262,796
Total net position	$ 161,524,764	$ 1,344,488,000	$ 51,653,536	$ 1,557,666,300

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For The Seven Months Ended September 30, 2022

	Harris Center for Mental Health and IDD (formerly MHMRA)	Harris County Hospital District dba Harris Health System	Nonmajor Component Units	Total
REVENUES				
Program Revenues:				
Charges for services	$ 48,192,394	$ 396,517,000	$ 1,854,504	$ 446,563,898
Operating grants and contributions	194,100,515	2,825,996,000	3,407,027	3,023,503,542
Total program revenues	242,292,909	3,222,513,000	5,261,531	3,470,067,440
EXPENSES	307,833,371	3,437,006,000	5,379,996	3,750,219,367
Net program revenues (expenses)	(65,540,462)	(214,493,000)	(118,465)	(280,151,927)
General Revenues:				
Ad valorem tax revenues	-	2,237,000	-	2,237,000
Earnings on investments	274,680	16,927,000	(21,072)	17,180,608
Other	59,042,192	38,792,000	461,951	98,296,143
Gain on sale of capital assets	160,955	-	-	160,955
Net general revenues	59,477,827	57,956,000	440,879	117,874,706
Change in net position	(6,062,635)	(156,537,000)	322,414	(162,277,221)
Net position, beginning	167,588,000	1,501,025,000	51,331,122	1,719,944,122
Prior period adjustment (a)	(601)	-	-	(601)
Net position, ending	$ 161,524,764	$ 1,344,488,000	$ 51,653,536	$ 1,557,666,300

(a) Beginning of the year balance was restated due to change in accounting principle (GASB 87).

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In January 2021, Commissioners Court approved changing the fiscal year for Harris County from a fiscal year ending February 28/29 to a fiscal year ending September 30, with the transition to begin in calendar year 2022. As such, the financial statements are presented for a seven-month period of March 1, 2022 through September 30, 2022.

A. REPORTING ENTITY

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

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

As required by GAAP, the financial statements of the reporting entity include those of the County (the primary government) and its component units in conformity with GASB Statement No. 14, *The Financial Reporting Entity* ("GASB 14"), as amended.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Board President – Peter Jordan
Norton Rose Fulbright US LLP
1301 McKinney, Suite 5100
Houston, TX 77010-3095

Children's Assessment Center Foundation, Inc. ("CACF"). The Foundation (a Texas nonprofit corporation) was created to raise and provide funding for the Children's Assessment Center

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

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

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

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

Harris County Health Facilities Development Corporation ("HFDC"). The HFDC provides financing for qualified health facilities. Eligible projects must improve the adequacy, cost and accessibility of health care in Houston, Texas. Under the current tax code, eligible borrowers are limited to non-profit corporations. HFDC financing costs are limited to land, buildings, and equipment. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County can impose its will. HFDC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 8.D. to the financial statements.

Harris County Cultural Education Facilities Finance Corporation ("CEFFC"). The CEFFC provides and finances cultural education facilities for the exhibition and promotion of and education about the performing, dramatic, visual and literary arts, natural history, and science for the public purpose of promoting the health, education and welfare of the citizens of the County. The criteria used to determine inclusion as a discretely presented component unit are: all members of the governing body are appointed by Commissioners Court and the County can impose its will on CEFFC. The CEFFC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 8.D. to the financial statements.

Condensed Financial Statements. Condensed financial statements of each discretely presented component unit discussed above are presented (Harris Health System and Children's Assessment Center are 7 month stub period financials due to the change in fiscal year). The fiscal year-ends for the discretely presented component units are as follows:

- Harris County Hospital District, dba Harris Health System: September 30, 2022
- Harris Center for Mental Health and IDD (formerly MHMRA): August 31, 2022
- Harris County Housing Finance Corporation: December 31, 2022
- Harris County Industrial Development Corporation: August 31, 2022
- Children's Assessment Center Foundation, Inc.: September 30, 2022
- Friends of Countypets: September 30, 2022

B. RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

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

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

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

During the period ended September 30, 2022, the County disbursed the following amounts to these organizations: $75,000 to the Gulf Coast Freight Rail District, $8,018 to the Harris County/Houston Sports Authority, $720 to the Harris-Galveston Subsidence District, $432,896 to the Port of Houston Authority, $76,750 to the Houston-Galveston Area Council, and $3,454,867 to Metropolitan Transit Authority. The County also collected $35,644 from the Port of Houston Authority, $2,726,823 from the Houston-Galveston Area Council, $29,948,051 from the Metropolitan Transit Authority of Harris County, $22,500 from Harris County/Houston Sports Authority, $642,187 from the Houston Ship Channel Security District, and $412,408 from the Harris County Housing Authority.

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

During the period ended September 30, 2022 (for the tax year ended December 31, 2021), the County disbursed $7,557,697 to the City of Houston TIRZs, $594,660 to the City of Baytown TIRZ, and $1,086,740 to the City of La Porte TIRZ.

C. IMPLEMENTATION OF NEW STANDARDS

In the current period, the County implemented the following new standards:

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 was implemented by the County, resulting in recognition of $47,557,849 of right-to-use lease assets and lease payables as of March 1, 2022 within the governmental activities in the government-wide financial statements to conform to the new standard.

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. The required changes due to the implementation of GASB 91 are reflected in the County's notes to the financial statements.

GASB Statement No. 92, *Omnibus 2020* – ("GASB 92"), 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. Except what was implemented as of February 28, 2021, the portions implemented of GASB 92 had no effect on the County's financial statements.

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. The implementation of GASB 93 had no effect on the County's financial statements.

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. Except what was implemented as of February 28, 2021, the portions implemented of GASB 97 had no effect on the County's financial statements.

GASB Statement No. 99, *Omnibus 2022* – ("GASB 99"), objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. GASB 99 related to PPP's and SBITA's were implemented and had no effect on the County's financial statements as GASB 94 and GASB 96 have not yet been adopted.

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

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Program revenues include those generated from administration of justice, parks, county administration, health and human services, flood control, tax administration, and roads and bridges. Taxes and other items not included among program revenues are reported instead as general revenues. Miscellaneous general revenues contain non-program specific contributions.

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

<u>Fund Statements</u>
All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on governmental long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Grant and entitlement revenues are also susceptible to accrual. Encumbrances are used during the year. These funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds, including the enterprise and internal service funds, and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds statement of net position.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

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

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

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

CDBG-DR Harvey – used to account for rebuilding Texas communities after Hurricane Harvey by putting Texans back in their homes, restoring critical infrastructure, and mitigating future damage. These grants can be used for a wide variety of activities including housing redevelopment, infrastructure repair, and long-term planning.

ARP Act – used to account for the American Rescue Plan grant fund.

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

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

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

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

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

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

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

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

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

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

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

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

Tax Collector's - tax collections are deposited in the Tax Collector's fiduciary fund pending audit and distribution to other taxing jurisdiction.

E. **BUDGETS**

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

- Departmental annual budget requests are submitted by the Department or Agency Head to the County Budget Officer during the third quarter of the fiscal year for the upcoming fiscal year to begin October 1.

- Public hearings are held on the proposed budget.

- The County Auditor prepares an estimate of available resources for the upcoming fiscal year.

- The County Budget Officer prepares the proposed annual operating budget to be presented to

Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.

- Commissioners Court must adopt an annual operating budget by a majority vote of Commissioners Court before October 31. The adopted budget must be balanced; that is, budgeted expenditures may not exceed available resources.

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

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

- Commissioners Court may approve expenditures as an amendment to the original budget only in the case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention.

- The County Auditor shall certify to the Commissioners Court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.

- The County Auditor shall certify to the Commissioners Court the receipt of all revenue from intergovernmental contracts that are available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.

- The County Auditor shall certify to the Commissioners Court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.

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

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

- Budgets are prepared on a cash basis (budget basis) which differs from GAAP basis.

A reconciliation of General Fund revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) is presented in the Notes to the Required

Supplementary Information.

F. RESTRICTED ASSETS

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

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

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

G. DEPOSITS AND INVESTMENTS

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

H. INTERFUND TRANSACTIONS

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

I. INVENTORY

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

J. PREPAIDS AND OTHER ASSETS

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

K. PREMIUMS (DISCOUNTS) ON BONDS PAYABLE

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

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows consist of, when applicable, deferred charges on refundings, the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods, pension contributions after measurement date, the differences in projected and actual experience on pension assets, and changes in OPEB assumptions and differences between expected and actual experience. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The pension contributions after measurement date are deferred and recognized in the following fiscal year. The differences in projected and actual experience on pension assets and OPEB are amortized over amortized over the average of the expected remaining service lives of all members. Pension and changes in OPEB assumptions and differences between expected and actual experience are recognized over the average remaining service life for all members.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of, when applicable, differences in expected and actual pension earnings, deferred revenues related to leases (related to GASB 87), changes in OPEB assumptions, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The differences in expected and actual pension earnings are amortized over the average of the expected remaining service lives of all employees that are provided with pension benefits through the pension plan (active employees and inactive employees). OPEB assumption changes are recognized over the average remaining service life for all members. Leases are amortized over the lease term.

M. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets include land (including easements and right of ways), intangible assets, construction in progress, land improvements, buildings and building improvements, park improvements and facilities, equipment (including machinery, vehicles, animals, other tangible assets, exhaustible works of art and historical treasures and computer software), and infrastructure that are used in the County's operations and benefit the County for more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the County include roads, bridges, flood control facilities, lighting, storm sewers, and tunnels.

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

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

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

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

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

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

No asset impairment was recognized during the year ended September 30, 2022.

N. LEASE RECEIVABLE

The County leases a portion of its property to various third parties, the terms of which expire 2023 through 2037. The leases with payments that increase annually are based upon the Consumer Price Index (Index) and were measured based upon the Index at lease commencement. Leases are recorded at the present value to be received under all leases other than short term leases. Short term leases are those with a maximum period of 12 months and are recognized as collected. The total lease receivable as of September 30, 2022 was $3,058,608.

O. NET POSITION AND FUND BALANCES

NET POSITION CLASSIFICATIONS
Net position in the proprietary fund financial statements and the government-wide financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net

position, and 3) Unrestricted net position.

FUND BALANCE CLASSIFICATIONS

In accordance with GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable – Amounts that cannot be spent because they are either not in spendable form or they are required, legally or contractually, to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables (if the proceeds from the collection of the receivables are not restricted, committed, or assigned).

Restricted – These amounts represent assets that have externally imposed restrictions by creditors, grantors, contributors, or laws or regulations of other governments. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The County's highest level of decision-making authority resides with the Commissioners Court. The constraints imposed by the formal action of the Commissioners Court remain binding unless removed or changed in the same manner employed to previously commit those resources. To establish, modify, or rescind a fund balance commitment requires an order adopted by Commissioners Court.

Assigned – Amounts that are constrained by the County's intent to be used for a specific purposes, but that do not meet the criteria to be restricted or committed. Such intent should be expressed by the Commissioners Court or its designated officials to assign amounts to be used. The County Budget Officer, by virtue of Commissioners Court ordered appointment to that office and as a normal function of that office, has the authority to assign fund balance to particular purposes. Assignments made by the County Budget Officer can occur during the budget process or throughout the year in the normal course of business. Commissioners Court, at their discretion, may make assignments of fund balance or direct other County officials to do so. Constraints imposed on the use of the assigned amounts can be removed with no formal action.

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

For the classification of fund balances in the governmental funds, the County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

P. COMPENSATED ABSENCES

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

Regular employees accrue 13 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 720 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from 3.08 to 7.7 hours of vacation per pay period depending on years of service and may accumulate a maximum of 280 hours of vacation benefits. Upon termination, employees are paid the balance of unused vacation benefits.

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

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

Q. STATEMENT OF CASH FLOWS

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

R. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. COMPONENT UNIT TAX REVENUES

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance Corporation (FDIC) is available for funds deposited at any financial institution up to a maximum of $250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At September 30,2022, the balance per various financial institutions was $826,111,250. The County's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank, in accordance with the Public Funds Collateral Act.

Investments: Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes Harris County to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, and addresses investment diversification, yield, and maturity.

The Harris County Investment Policy is reviewed and approved at least annually by Commissioners Court. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

Funds of Harris County may be invested as authorized by the Public Funds Investment Act which is located in Chapter 2256 of the Texas Government Code. Allowable investments include:

1. Direct obligations of the United States, its agencies and instrumentalities.

2. Other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the FDIC.

3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.

4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A, or its equivalent, by a nationally recognized investment rating firm.

5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County's authority to invest funds in certificates of deposit and share certificates as stated above, made in accordance with the following conditions is an authorized investment under Texas Gov't. Code Section 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.

6. Fully collateralized repurchase agreements, provided the County has on file a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of

flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code, Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.

8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.

9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of Commissioners Court to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.

10. A Securities and Exchange Commission ("SEC") registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.

11. Interest-bearing banking deposits that are guaranteed or insured by: (A) the Federal Deposit Insurance Corporation or its successor; or (B) the National Credit Union Share Insurance Fund or its successor; and interest-bearing banking deposits other than described above if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in Texas that the County selects from a list of its governing body or designated investment committee adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in Texas that the County selects; (B) the broker or depository

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

Summary of Cash and Investments

Harris County's cash and investments are stated at fair value or amortized cost. The following is a summary of the County's cash and investments at September 30, 2022:

	Governmental Funds	Proprietary Funds	Total	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 688,295,443	$ 548,086,524	$ 1,236,381,967	$ 252,962,726	$ 1,489,344,693
Restricted Cash and Cash Equivalents	15,680,156	25,399,128	41,079,284	-	41,079,284
Investments	1,689,775,781	648,512,250	2,338,288,031	129,648,990	2,467,937,021
Restricted Investments	3	314,217,976	314,217,979	-	314,217,979
Total Cash & Investments	$ 2,393,751,383	$ 1,536,215,878	$ 3,929,967,261	$ 382,611,716	$ 4,312,578,977

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

The table below indicates the fair value and maturity value of the County's investments as of September 30, 2022, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in days for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
US Agency Notes					
FFCB	$ 63,276,940	1.46%	$ 64,000,000	0.0123	AAA/Aaa
FHLB	689,248,912	15.85%	708,800,000	0.2045	AA+/Aaa
FHLMC	134,625,792	3.10%	137,000,000	0.0564	AA+/Aaa
FNMA	1,933,976	0.04%	2,000,000	0.0004	AA+/Aaa
Total US Agency Notes	889,085,620		911,800,000		
Commercial Paper					
BARCLAYS US DISC CP	47,376,696	1.09%	48,100,000	0.0039	A1/P1
BNP DISC CP	82,567,537	1.90%	83,000,000	0.0025	A1/P1
CGMI CP	4,932,245	0.11%	5,000,000	0.0004	A1/P1
MUFG BK CP	204,310,041	4.70%	206,000,000	0.0105	A1/P1
NATX DISC CP	152,673,418	3.51%	156,000,000	0.0172	A1/P1
TCCI DISC CP	19,831,780	0.46%	20,000,000	0.0010	A1/P1
TMCC DISC CP	128,196,326	2.95%	129,000,000	0.0050	A1/P1
Total Commercial Paper	639,888,043		647,100,000		

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Local Governments					
AUSTIN ISD TX UT GO *ESG*	2,558,077	0.06%	2,520,000	0.0005	Aaa
COLUMBUS OH	6,377,657	0.15%	6,385,000	0.0013	AAA/Aaa
COMAL ISD TX UT GO	2,383,866	0.05%	2,350,000	0.0005	AAA/Aaa
CONROE ISD TX UT GO	2,416,683	0.06%	2,395,000	0.0006	AAA/Aaa
DALLAS AREA RAPID TRANS TX	995,180	0.02%	1,000,000	0.0000	Aa2
DALLAS ISD TX UT GO	10,071,700	0.23%	10,000,000	0.0009	AAA/Aaa
FRISCO TX ISD UT GO	499,785	0.01%	500,000	0.0000	AAA/Aaa
GRAND PRAIRIE TX LT GO	3,641,403	0.08%	3,710,000	0.0015	AAA
LAMAR ISD TX UT GO	1,998,440	0.05%	2,000,000	0.0004	AAA/Aaa
LAWRENCE MA LT GO BAN	5,619,399	0.13%	5,582,000	0.0012	SP-1
LOUDON CO. VA REV	1,351,935	0.03%	1,360,000	0.0004	AA+/Aa1
MARYLAND ST DEPT OF TRANS I	9,140,063	0.21%	9,110,000	0.0004	AAA/Aa1
METRO COUNCIL MINNEAPOLIS	28,612,324	0.66%	29,595,000	0.0091	AAA/Aaa
NE CLINTON NY SD UT GO	28,275,919	0.65%	28,184,320	0.0049	MIG1
NEW JERSEY ST HSG & MTG FIN	1,994,160	0.05%	2,000,000	0.0001	Aaa
NORFOLK VA UT GO	3,592,600	0.08%	3,610,000	0.0007	AAA/Aa2
NORTH EAST ISD TX UT GO	773,656	0.02%	780,000	0.0003	AAA
NUECES CO TX LT GO	739,530	0.02%	750,000	0.0001	AA/Aa2
OREGON ST LOTTERY REV	3,620,105	0.08%	3,750,000	0.0019	AAA/Aa2
PALM BEACH CO FL	30,406,205	0.70%	31,045,000	0.0039	AAA/Aa1
ROUND ROCK ISD TX	999,080	0.02%	1,000,000	0.0002	Aaa
SAN ANTONIO TX LT GO	6,606,223	0.15%	6,625,000	0.0007	AAA/Aaa
SAN FRANCISCO CITY & CO CA (	4,381,383	0.10%	4,250,000	0.0016	AAA/Aaa
SOUTHWEST ISD TX UT GO *ESG*	778,534	0.02%	780,000	0.0002	AAA
ST LOUIS CO MN UT GO	1,072,528	0.02%	1,075,000	0.0000	AA+
ST OF MASSACHUSETTS *ESG*	15,851,850	0.36%	16,000,000	0.0041	Aa1
STATE OF MAINE GO	3,266,203	0.08%	3,365,000	0.0007	AA/Aa2
STATE OF MINNESOTA UT GO	10,000,000	0.23%	10,000,000	0.0000	AAA/Aa1
STATE OF OHIO LT GO	4,715,422	0.11%	4,720,000	0.0001	AA+/Aa1
STATE OF TX GO SER	7,529,418	0.17%	7,800,000	0.0017	AAA
TRIBOROUGH NY BRIDGE	7,266,981	0.17%	7,185,000	0.0010	AA+
TX STATE PUB FIN AUTH	7,084,748	0.16%	7,160,000	0.0006	AA+/Aa1
UNION TWP NJ BANS	14,955,750	0.34%	15,000,000	0.0011	SP-1
UNIV OF CALIFORNIA	4,879,600	0.11%	5,000,000	0.0007	AA/Aa2
UNIV OF MISSOURI	8,152,736	0.19%	8,385,000	0.0020	AA+/Aa1
WACO ISD TX *ESG*	1,008,007	0.02%	1,100,000	0.0004	Aaa
WILLIAMSON CO TX LT GO	493,245	0.01%	500,000	0.0000	AAA
WYANDOTTE KS UT GO	28,157,151	0.65%	28,410,000	0.0032	SP-1/MIG1
Total Local Governments	272,267,546		274,981,320		
US Treasury Bills and Bonds					
US Treasury Bill	83,734,725	1.93%	84,000,000	0.0022	AA+/Aaa
US Treasury Bond	1,998,600	0.05%	2,000,000	0.0000	AA+/Aaa
Total US Treasury Bills and Bonds	85,733,325		86,000,000		

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
US Treasury Notes					
US Treasury Note	993,482,919	22.85%	1,021,800,000	0.1852	AA+/Aaa
Total US Treasury Notes	993,482,919		1,021,800,000		
CD Options					
Unity Bank	5,021,858	0.12%	5,021,858	0.0013	NR
Total CD Options	5,021,858		5,021,858		
Money Market Mutual Funds					
Flood - DDA CADENCE	214,874,155	4.94%	214,874,155	N/A	N/A
LOGIC - POOL	127,947,555	2.94%	127,947,555	N/A	AAAm
LONE STAR - POOL	385,445,074	8.86%	385,445,074	N/A	AAAm
LONE STAR (GOV) - POOL	7	0.00%	7	N/A	AAAm
DDA - Cadence	348,165,821	8.01%	348,165,821	N/A	N/A
MMF - Cadence	83,784,036	1.92%	83,784,036	N/A	N/A
TRA - Cadence (DDA)	97,176,882	2.23%	97,176,882	N/A	N/A
TRA - Cadence (MMF)	50,777,940	1.17%	50,777,940	N/A	N/A
MMF - TRA Trust DSR (BNYM)	16,079,583	0.37%	16,079,583	N/A	N/A
TX CLASS - POOL	138,907,910	3.19%	138,907,910	N/A	AAAm
Total Money Market Mutual Funds	1,463,158,963		1,463,158,963		
Total Investments	4,348,638,272				
Outstanding items/deposits	(36,059,295)				
Total Cash & Investments	4,312,578,977	100.00%	4,409,862,141		

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2022, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments, U.S. Treasury Bills, U.S Treasury Bonds, U.S. Treasury Notes, and CD Options, totaling $2,885,479,309, all of which are valued using quoted prices for similar assets in active markets (Level 2 inputs). The Money Market Funds through External Investment Pools, totaling $1,463,158,963, are measured at amortized cost or fair value in accordance with GASB Nos. 72 and 79. The recorded position of the pool for Texas CLASS is measured at net asset value to approximate fair value, which is designed to approximate the share value; however, the net asset value is not guaranteed or insured. LOGIC, Lone Star, and Cadence Money Market Fund portfolios are measured at amortized cost, which approximates fair value. Cadence Demand Deposit Accounts preserves capital and liquidity and is considered cash value. Texas Class, LOGIC, and Lone Star pools must abide by the Public Funds Investment Act Section 2256.

RISK DISCLOSURES

Interest Rate Risk: All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

According to the County investment policy, no more than 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, flood control, proprietary and enterprise, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and bond reserves, may be invested beyond three years. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of September 30, 2022, the County was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimized.

The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA or its equivalent by at least one nationally recognized investment rating firm.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of September 30, 2022, all of the County's investments are held in the County's name.

Foreign Currency Risk: Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the US dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the County is not exposed to foreign currency risk.

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the Harris County financial statements. The three investment strategies employed by Harris County are the Matching Approach, the Barbell Approach and the Laddered Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. The Laddered Approach is an investment method where maturities are positioned to occur in regular intervals, providing a known stream of cash.

Specific guidelines have not been established for Pooled Investments, but the same standards that were developed for the General Fund Group are also applicable to Pooled Investments. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Pooled Investments	Matching/Laddered	3	$ 1,066,251,858	0.90
Special Revenue Funds	Matching	5	641,000,000	0.44
Capital Project Funds	Matching/Barbell/Laddered	5	89,610,000	1.07
Public Improvement Contingency	Matching/Barbell/Laddered	6	135,000,000	0.97
Proprietary & Enterprise Funds	Matching/Barbell/Laddered	6	25,000,000	0.45
Toll Road Project Funds	Matching/Barbell/Laddered	6	393,010,000	0.98
Toll Road Renewal/Replacement	Matching/Barbell/Laddered	6	164,625,000	1.51
Toll Road Bond Reserve	Matching/Barbell/Laddered	Maturity of the bonds	315,206,320	0.82
Automobile Inventory Tax	Laddered	7	41,000,000	0.23
County Clerk Registry	Laddered	7	13,000,000	0.54
District Clerk Registry	Laddered	7	63,000,000	0.91
Money Market Mutual Funds	N/A	N/A	1,463,158,963	N/A
			$ 4,409,862,141	

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

3. PROPERTY TAXES

COUNTY

Property taxes for the County and the Flood Control District are levied on tax rates adopted within 60 days of receiving the certified roll or September 30, whichever is later. Tax rates are usually adopted in September or October. Taxes are levied on the assessed value of all taxable real and personal property as of the preceding January 1. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. All tax payments not received by February 1, after the taxes are levied, are considered delinquent. Accordingly, no current taxes receivable are reported. Appraised values are determined by the Harris County Appraisal District ("Appraisal District") equal to 100% of the appraised market value as required by the State Property Tax Code. Real property must be appraised at least every three years. Taxpayers and taxing units may challenge appraisals of the Appraisal District through various appeals and, if necessary, legal action.

The County is responsible for setting the tax rates for the County, the Flood Control District, the Hospital District, and the Port of Houston Authority for debt service only. The County adopted the

2021 tax rate (there was no new levy associated with the seven month period), per $100 of taxable value, for the County and Flood Control District as follows:

	Maintenance and Operations	Debt Service	Total
Harris County	$ 0.33500	$ 0.04193	$ 0.37693
Flood Control District	$ 0.02599	$ 0.00750	$ 0.03349

The County is permitted by law to levy tax rates for general fund, jury fund, road and bridge fund and permanent improvement fund purposes up to $0.80 per $100 of taxable valuation. The County levied a tax rate of $0.37693 per $100 of taxable valuation subject to the $0.80 tax rate limitation for Constitutional Funds.

The Flood Control District is permitted by law to levy a tax rate up to $0.30 per $100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the $0.30 tax rate limit. The tax rate for maintenance and operations is limited to the rate as may from time to time be approved by the voters of the Flood Control District. The maximum tax rate for maintenance and operations is $0.15 per $100 of taxable valuation. A tax rate of $0.02599 per $100 valuation was set in 2021 for the Flood Control District's maintenance and operations. The County Tax Assessor-Collector bills and collects the taxes for the County, Flood Control District, Hospital District, Port of Houston Authority, City of Houston and various other jurisdictions within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor-Collector's Fiduciary Fund. Tax collections deposited for the County and Flood Control District are distributed on a periodic basis to the respective General Funds and Debt Service Funds. These distributions are based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

Property tax receivables of $14,787,010 as of September 30, 2022, are reported net of an allowance for uncollectible taxes of $115,105,861.

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

For the Period ended September 30, 2022, the County abated property taxes totaling $530,966 under this program, which includes four entities—two of which were manufacturing facilities, which were granted exemptions that converted to property tax abatements totaling $146,202. The other two of the entities were regional distribution facilities, which were also granted exemptions that converted to a property tax abatement of $384,764.

COMPONENT UNITS

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

Property tax receivables of $3,140,000 as of September 30, 2022 are reported net of an allowance for uncollectible taxes of $49,748,000 for the Hospital District.

4. OTHER RECEIVABLES

The County reports accounts receivables and other receivables in the various funds for amounts to be received from customers, granting agencies, and the Tax Assessor. A breakdown of these receivables as of September 30, 2022 is as follows:

	Customers	Granting Agencies	Tax Assessor	Total (net)	Allowance for Uncollectible
General	$ 38,811,045	$ -	$ 2,587,733	$ 41,398,778	$ (1,702,061)
CDBG-DR HARVEY	-	161,558,806	-	161,558,806	-
Nonmajor Governmental	8,920,575	355,031,668	10,127,981	374,080,224	(959,030)
Toll Road	94,374,745	-	-	94,374,745	(574,736,755)
Nonmajor Enterprise	1,172,907	-	-	1,172,907	-
Internal Service	16,289,723	-	-	16,289,723	(378,716)
Component Units	129,231,836	497,907,394	-	627,139,230	(51,078,034)
Totals	$ 288,800,831	$ 1,014,497,868	$ 12,715,714	$ 1,316,014,413	$ (628,854,596)

5. INTERFUND BALANCES AND TRANSFERS

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

The interfund receivable and payable balances, by individual major fund, other governmental funds (aggregated), other proprietary funds (aggregated), internal service funds (aggregated), and fiduciary funds as of September 30, 2022 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 26,953,984
	Toll Road	234,167
	CDBG	156,123,355
	Internal Service	10,096,272
ARPA	Nonmajor Governmental	46,954,897
Nonmajor Governmental	Nonmajor Governmental	225,155,037
	General	6,145,481
	CDBG	9,666,574
Internal Service	General	353,182
	Nonmajor Governmental	686,942
	Toll Road	558,775
Nonmajor Enterprise	Nonmajor Governmental	67
Total		$ 482,928,733

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

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	$ 370,000
Nonmajor Governmental	Nonmajor Governmental	2,130,000
Total		$ 2,500,000

The following is a summary of the County's transfers for the year ended September 30, 2022:

	Transfers In: General	Nonmajor Governmental	CDBG	ARPA	Internal Service	Total
Transfers Out:						
General	$ -	$ 54,336,025	$ 2,360,224	$ -	$ 1,691,667	$ 58,387,916
Nonmajor Governmental	223,725,281	52,278,261	-	29,481,277	434,086	305,918,905
CDBG	-	578,825	-	-	-	578,825
ARPA		18,350				18,350
Toll Road	123,907,635	-	-	-	-	123,907,635
Total	$ 347,632,916	$ 107,211,461	$ 2,360,224	$ 29,481,277	$ 2,125,753	$ 488,811,631

Toll Road transferred $123.9 million to the General fund for funding of a County thoroughfare and mobility program. There was also a $200 million transfer from nonmajor governmental to general for debt service. All other transfers are routine in nature, such as cash match of grants, debt service payments, and internal service costs.

6. CAPITAL ASSETS

COUNTY

Capital asset activity for the year ended September 30, 2022 was as follows:

	Balance March 1, 2022	Additions	Deletions	Transfers	Balance September 30, 2022
Governmental Activities:					
Land	$ 4,831,165,032	$ 101,857,559	$ (53,603)	$ -	$ 4,932,968,988
Construction in progress	916,163,323	197,808,114	(9,215,712)	(208,297,878)	896,457,847
Intangible assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	5,749,728,355	299,665,673	(9,269,315)	(208,297,878)	5,831,826,835
Intangible assets - software & licenses	161,425,072	-	(545,150)	5,645,915	166,525,837
Land improvements	21,992,264	-	-	5,178,466	27,170,730
Infrastructure	12,326,090,866	40,131,430	-	40,183,623	12,406,405,919
Park facilities	244,263,978	-	-	3,928,223	248,192,201
Flood control projects	1,071,953,355	-	-	151,750,613	1,223,703,968
Buildings	2,130,358,011	-	-	1,611,038	2,131,969,049
Equipment	502,756,920	20,646,331	(7,639,478)	(297,833)	515,465,940
Leased Buildings*	30,446,428	-	-	-	30,446,428
Leased Equipment*	13,040,668	-	-	-	13,040,668
	16,502,327,562	60,777,761	(8,184,628)	208,000,045	16,762,920,740
Less accumulated depreciation for:					
Intangible assets - software & licenses	(95,108,156)	(20,324,655)	545,150	-	(114,887,661)
Land improvements	(6,961,044)	(706,237)	-	-	(7,667,281)
Infrastructure	(7,532,608,690)	(158,523,017)	-	-	(7,691,131,707)
Park facilities	(101,714,839)	(4,560,614)	-	-	(106,275,453)
Flood control projects	(579,304,046)	(33,274,332)	-	-	(612,578,378)
Buildings	(865,984,934)	(26,692,248)	-	-	(892,677,182)
Equipment	(352,663,463)	(20,945,877)	7,397,223	297,833	(365,914,284)
Leased Buildings	-	(3,153,445)	-	-	(3,153,445)
Leased Equipment	-	(2,321,937)	-	-	(2,321,937)
	(9,534,345,172)	(270,502,362)	7,942,373	297,833	(9,796,607,328)
Total capital assets being depreciated, net	6,967,982,390	(209,724,601)	(242,255)	208,297,878	6,966,313,412
Governmental activities capital assets, net	$ 12,717,710,745	$ 89,941,072	$ (9,511,570)	$ -	$ 12,798,140,247

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1

	Balance March 1, 2022	Additions	Deletions	Transfers	Balance September 30, 2022
Business-type Activities:					
Land	$ 387,936,631	$ 1,625,880	$ -	$ -	$ 389,562,511
Construction in progress	1,453,260,834	105,057,677	-	(256,667,727)	1,301,650,784
Total capital assets not depreciated	1,841,197,465	106,683,557	-	(256,667,727)	1,691,213,295
License Agreement	237,500,000	-	-	-	237,500,000
Land improvements	21,266,409	-	-	-	21,266,409
Infrastructure	2,956,613,883	-	-	256,667,727	3,213,281,610
Other tangible assets	8,937,074	5,499	(1,452,886)	-	7,489,687
Buildings	43,615,443	-	-	-	43,615,443
Equipment	72,776,687	3,236,869	(9,035,826)	297,833	67,275,563
Leased Buildings*	3,949,223	-	-	-	3,949,223
Leased Equipments*	121,530	-	-	-	121,530
	3,344,780,249	3,242,368	(10,488,712)	256,965,560	3,594,499,465
Less accumulated depreciation/amortization for:					
License Agreement	(73,933,750)	(5,011,250)	-	-	(78,945,000)
Land improvements	(10,603,859)	(620,447)	-	-	(11,224,306)
Infrastructure	(1,733,279,821)	(43,771,552)	-	-	(1,777,051,373)
Other tangible assets	(8,623,679)	(11,944)	1,452,886	-	(7,182,737)
Buildings	(16,995,389)	(559,835)	-	-	(17,555,224)
Equipment	(58,375,753)	(2,477,082)	8,566,915	(297,833)	(52,583,753)
Leased Buildings	-	(542,008)	-	-	(542,008)
Leased Equipments	-	(29,831)	-	-	(29,831)
	(1,901,812,251)	(53,023,949)	10,019,801	(297,833)	(1,945,114,232)
Total capital assets being depreciated, net	1,442,967,998	(49,781,581)	(468,911)	256,667,727	1,649,385,233
Business-type activities capital assets, net	$ 3,284,165,463	$ 56,901,976	$ (468,911)	$ -	$ 3,340,598,528

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1

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

Governmental activities:	
Administration of Justice	$ 3,507,043
Parks	4,995,164
County Administration	72,857,669
Health and Human Services	2,044,753
Flood Control	33,728,358
Tax Administration	36,478
Roads and Bridges	153,332,897
	$ 270,502,362
Business-type activities:	
Parking Facilities	$ 375,657
Sheriff's Commissary	98,612
Toll Road	52,549,680
	$ 53,023,949

COMPONENT UNITS

Harris Center for Mental Health and IDD (August 31, 2022)	Fiscal Year Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Fiscal Year Ending Balance
Land	$ 6,432,036	$ 6,222,157	$ -	$ 12,654,193
Buildings & Improvements	63,469,412	5,136,184	(853,053)	67,752,543
Equipment, Furniture & Vehicles	9,101,626	41,209	(1,225,718)	7,917,117
Right-to-use Assets*	1,462,713	471,057	-	1,933,770
Intangible Assets - Software	42,704	-	-	42,704
	80,508,491	11,870,607	(2,078,771)	90,300,327
Less accumulated depreciation for:				
Buildings & Improvements	(22,455,931)	(1,956,718)	853,053	(23,559,596)
Equipment, Furniture & Vehicles	(7,336,425)	(530,188)	1,212,392	(6,654,221)
Right-to-use Assets	(404,070)	(183,227)	-	(587,297)
	(30,196,426)	(2,670,133)	2,065,445	(30,801,114)
Harris Center for Mental Health and IDD capital assets, net	$ 50,312,065	$ 9,200,474	$ (13,326)	$ 59,499,213

*The increase to the beginning balance as of March 1, 2022 is due to the implementation of GASB 87, Leases.

The Harris Center for Mental Health and IDD records all governmental capital assets at cost, except for donated capital assets, which are recorded at acquisition cost on the date donated. Depreciation is reported at the government-wide level using the straight-line method over the estimated useful lives of the assets. The schedule included here does not include the capital assets of the Harris Center for Mental Health and IDD's discrete component units (a net value of $4,636,333).

Hospital District (September 30, 2022)	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Land & Improvements	$ 47,316,000	$ 133,000	$ -	$ 47,449,000
Construction in progress	129,751,000	42,013,000	-	171,764,000
Total capital assets not depreciated	177,067,000	42,146,000	-	219,213,000
Buildings and Improvements	728,992,000	479,000	(76,000)	729,395,000
Equipment	446,786,000	20,531,000	(27,878,000)	439,439,000
Leases - Building*	43,183,000	2,704,000	-	45,887,000
Leases - Equipment*	5,811,000	2,159,000	(11,000)	7,959,000
	1,224,772,000	25,873,000	(27,965,000)	1,222,680,000
Less accumulated depreciation	(792,554,000)	(42,403,000)	27,635,000	(807,322,000)
	(792,554,000)	(42,403,000)	27,635,000	(807,322,000)
Total capital assets being depreciated, net	432,218,000	(16,530,000)	(330,000)	415,358,000
Hospital District capital assets, net	$ 609,285,000	$ 25,616,000	$ (330,000)	$ 634,571,000

*The increase to the beginning balance as of September 1, 2021 is due to the implementation of GASB 87, Leases.

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

7. OTHER LIABILITIES

As of September 30, 2022, the Toll Road vouchers payable balance includes the following amount due to other governmental units.

Receivable Entity	Payable Entity	
Fort Bend	Toll Road	$ 4,808,672
North Texas Toll Authority	Toll Road	8,828,368
Texas Turnpike Authority	Toll Road	17,675,509
Metropolitan Transit Aurhority	Toll Road	494,976
Montgomery County Toll Road Authority	Toll Road	1,102,043
Central Texas Regional Mobility Authority	Toll Road	1,916,945
Brazoria County Toll Road Authority	Toll Road	1,018,764
Total Due to Other Governmental Units		$35,845,277

8. LONG-TERM LIABILITIES

The changes in the County's Governmental Long-Term Liabilities and Business-Type Liabilities for period ended September 30, 2022 were as follows:

	Outstanding March 1, 2022	Issued/ Increased	Redeemed/ Decreased	Outstanding September 30, 2022	Due Within Year
Governmental Activities:					
General Obligation Debt					
Road Bonds - Principal	$ 530,775,000	$ 237,650,000	$ (95,780,000)	$ 672,645,000	$ -
Permanent Improvement Bonds - Principal	667,112,124	86,855,000	(105,915,000)	648,052,124	4,875,806
Flood Control Bonds - Principal	932,655,000	222,975,000	(40,695,000)	1,114,935,000	-
Total Principal General Obligation Debt	2,130,542,124	547,480,000	(242,390,000)	2,435,632,124	4,875,806
Unamortized Premiums, Road Bonds	51,964,261	18,638,023	(9,020,645)	61,581,639	-
Unamortized Premiums, PIB Bonds	87,546,136	8,469,705	(12,039,244)	83,976,597	-
Unamortized Premiums, FC Bonds	137,141,226	13,601,136	(9,469,148)	141,273,214	-
GO Revenue Series 2002	36,957,554	1,859,436	-	38,816,990	-
Total General Obligation Debt	2,444,151,301	590,048,300	(272,919,037)	2,761,280,564	4,875,806
Tax and Subordinate Lien Revenue Bonds					
Tax and Subordinate Lien Revenue					
Refunding, Series 2012A	$ 130,950,000	$ -	$ (130,950,000)	$ -	$ -
Refunding, Series 2019B	6,400,000	-	(3,120,000)	3,280,000	3,280,000
Refunding, Series 2022A	-	99,420,000	-	99,420,000	-
Unamortized Premium, Tax & Sub Lien Rev	12,041,649	16,436,394	(12,313,679)	16,164,364	-
Total Tax and Subordinate Lien Revenue Bonds	149,391,649	115,856,394	(146,383,679)	118,864,364	3,280,000
Total Bonds Payable	2,593,542,950	705,904,694	(419,302,716)	2,880,144,928	8,155,806
Commercial Paper Payable	191,525,000	469,625,000	(564,025,000)	97,125,000	273,116
Compensatory Time Payable	50,843,875	29,060,478	(30,135,474)	49,768,879	25,516,404
Lease Payable*	43,487,096	-	(5,210,759)	38,276,337	8,571,350
Judgments Payable	1,800,000	2,500,000	-	4,300,000	-
Loan Payable	35,885,505	-	(1,753,725)	34,131,780	478,284
Net OPEB Liability	3,752,431,300	-	(1,107,505,189)	2,644,926,111	51,532,000
Pollution Remediation Obligation	5,164,136	308,657	-	5,472,793	92,821
Total Governmental Activities	$ 6,674,679,862	$ 1,207,398,829	$ (2,127,932,863)	$ 5,754,145,828	$ 94,619,781

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1

	Outstanding March 1, 2022	Issued/ Increased	Redeemed/ Decreased	Outstanding September 30, 2022	Due Within Year
Business-type Activities:					
Senior Lien Revenue Bonds	$ 1,638,850,000	$ -	$ (284,370,000)	$ 1,354,480,000	$ 57,495,000
First Lien Revenue Bonds	420,095,000	194,030,000	(6,955,000)	607,170,000	9,325,000
Tax Bonds	171,575,000	-	(20,240,000)	151,335,000	20,700,000
Total Bond Principal	2,230,520,000	194,030,000	(311,565,000)	2,112,985,000	87,520,000
Unamortized Premium, Senior Revenue Bonds	160,422,541	-	(29,306,285)	131,116,256	-
Unamortized Premium, First Revenue Bonds	85,294,260	30,322,620	(5,226,902)	110,389,978	-
Unamortized Premium, Tax Bonds	4,698,704	-	(435,717)	4,262,987	-
Accrued Interest Payable	4,063,840	56,938,162	(49,512,624)	11,489,378	11,489,378
Total Bonds Payable	2,484,999,345	281,290,782	(396,046,528)	2,370,243,599	99,009,378
Commercial Paper Payable	-	36,600,000	-	36,600,000	-
Compensatory Time Payable	1,523,453	740,743	(740,582)	1,523,614	776,905
Lease Payable*	4,070,753	-	(528,823)	3,541,930	918,352
Net OPEB Liability	169,902,366	-	(52,234,924)	117,667,442	1,978,000
Hedging derivative instruments	39,298,374	-	(22,954,148)	16,344,226	-
Total Business-type Activities	$ 2,699,794,291	$ 318,631,525	$ (472,505,005)	$ 2,545,920,811	$ 102,682,635

*The County increased the beginning balance as of March 1, 2022 to conform to provisions of GASB 87, Leases, as identified in Note 1

A. BONDED DEBT

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

Outstanding governmental bonded debt as of September 30, 2022 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance September 30, 2022
Road Bonds					
Refunding Series 2012B	52,815,000	2.25-4.00%	2012	2024	7,335,000
Refunding Series 2014A	195,905,000	5.00%	2014	2034	134,550,000
Refunding Series 2015A	202,680,000	2-5.00%	2015	2031	201,090,000
Refunding Series 2017A	35,580,000	4.00-5.00%	2017	2031	30,865,000
Refunding Series 2019A	48,745,000	4.00-5.00%	2019	2023	4,255,000
Refunding Series 2021	60,405,000	2-5.00%	2021	2046	56,900,000
Refunding Series 2022A	237,650,000	4.00-5.00%	2022	2047	237,650,000
	833,780,000				672,645,000
Permanent Improvement Bonds					
Refunding Series 2012B	43,200,000	0.35-2.473%	2012	2023	6,115,000
Refunding Series 2015A	191,370,000	3.00-5.00%	2015	2040	130,550,000
Refunding Series 2015B	50,095,000	2.00-5.00%	2015	2027	13,110,000
Refunding Series 2017A	137,945,000	4.00-5.00%	2017	2043	106,245,000
Refunding Series 2019A	7,810,000	5.00%	2019	2027	7,810,000
Refunding Series 2020A	221,455,000	3.00-5.00%	2020	2045	153,185,000
Refunding Series 2021	29,095,000	2.25-5.00%	2021	2046	28,215,000
Refunding Series 2021A	98,295,000	3.00-5.00%	2021	2047	98,295,000
Refunding Series 2022A	86,855,000	5.00%	2022	2031	86,855,000
GO Revenue Refunding 2002	206,772,045	5.00-5.86%	2002	2028	17,672,124
	1,072,892,045				648,052,124
Flood Control Bonds					
Refunding Series 2014	36,590,000	2.00-5.00%	2014	2026	36,200,000
Refunding Series 2014A	60,100,000	1.00-5.00%	2014	2029	58,225,000
Refunding Series 2014B	73,665,000	0.25-3.211%	2014	2024	22,175,000
Refunding Series 2015A	46,875,000	3.00-5.00%	2015	2030	46,875,000
Refunding Series 2015B	30,145,000	3.00-5.00%	2015	2030	30,145,000
Refunding Series 2017A	168,100,000	4.00-5.00%	2017	2039	167,155,000
Refunding Series 2019A	86,965,000	4.00-5.00%	2019	2024	39,620,000
Refunding Series 2020A	251,195,000	3.00-5.00%	2020	2045	239,340,000
Refunding Series 2021A	256,455,000	1.00-5.00%	2021	2046	252,225,000
Refunding Series 2022A	222,975,000	4.00-5.25%	2022	2047	222,975,000
	1,233,065,000				1,114,935,000
Tax & Subordinate Lien Revenue Bonds					
Refunding Series 2019B	12,205,000	4.00-5.00%	2019	2023	3,280,000
Refunding Series 2022A	99,420,000	5.00%	2022	2032	99,420,000
	111,625,000				102,700,000
TOTAL	$ 3,251,362,045				$ 2,538,332,124

Per Article III, Section 52 of the Texas Constitution, the amount of applicable bonds that may be issued is limited to 25% of the assessed valuation of real property of the County. The total net debt applicable to the limit as of September 30, 2022 is approximately $818.6 million. The legal debt limit is approximately $150.2 billion (25% of real property assessed value) for the fiscal year ended September 30, 2022.

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

Outstanding business-type bonded debt at September 30, 2022 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance September 30, 2022
Senior Lien Revenue Bonds					
Refunding Series 2007B	$ 145,570,000	Floating	2007	2036	$ 145,570,000
Refunding Series 2015B	161,575,000	5.00%	2015	2036	144,870,000
Refunding Series 2016A	530,105,000	2.75-5.00%	2016	2047	485,905,000
Refunding Series 2018A	559,900,000	4.00-5.00%	2018	2048	498,385,000
Refunding Series 2019A	90,255,000	3.00-5.00%	2019	2049	79,750,000
	1,487,405,000				1,354,480,000
First Lien Revenue Bonds					
Refunding Series 2021	424,925,000	3.00-5.00%	2021	2050	413,140,000
Refunding Series 2022A	194,030,000	5.00%	2022	2033	194,030,000
	618,955,000				607,170,000
Unlimited Tax and Subordinate Lien Bonds					
Refunding Series 1997	150,395,000	5.00-5.125%	1997	2024	17,780,000
Refunding Series 2007C	321,745,000	5.00-5.25%	2007	2033	133,555,000
	472,140,000				151,335,000
TOTAL	$ 2,578,500,000				$ 2,112,985,000

Annual debt service requirements to maturity as of September 30, 2022 are as follows:

	Governmental Activities				
Fiscal year	**Principal At 9/30/2022**	**Capital Appreciation Bonds**	**Principal Value At Maturity**	**Interest**	**Total**
2023	$ 8,155,806	$ 10,549,509	$ 18,705,315	$ 75,082,772	$ 93,788,087
2024	136,582,279	10,003,272	146,585,551	124,195,779	270,781,330
2025	177,484,303	9,458,089	186,942,392	117,213,774	304,156,166
2026	165,040,000	-	165,040,000	97,498,608	262,538,608
2027	192,300,000	-	192,300,000	88,641,108	280,941,108
2028-2032	737,384,736	8,806,120	746,190,856	336,781,733	1,082,972,589
2033-2037	389,560,000	-	389,560,000	189,613,775	579,173,775
2038-2042	372,970,000	-	372,970,000	107,281,851	480,251,851
2043-2047	324,055,000	-	324,055,000	39,414,875	363,469,875
2048	34,800,000	-	34,800,000	751,306	35,551,306
	$ 2,538,332,124	$ 38,816,990	$ 2,577,149,114	$ 1,176,475,581	$ 3,753,624,695

	Business-Type Activities		
Fiscal year	**Principal**	**Interest**	**Total**
2023	$ 87,520,000	$ 98,317,182	$ 185,837,182
2024	91,440,000	93,900,263	185,340,263
2025	82,975,000	89,286,744	172,261,744
2026	85,120,000	85,107,819	170,227,819
2027	88,055,000	80,871,594	168,926,594
2028-2032	515,135,000	333,501,278	848,636,278
2033-2037	484,030,000	199,843,150	683,873,150
2038-2042	271,545,000	119,275,300	390,820,300
2043-2047	305,710,000	58,378,050	364,088,050
2048-2050	101,455,000	6,547,350	108,002,350
	$ 2,112,985,000	$ 1,165,028,730	$ 3,278,013,730

COVENANTS AND CONDITIONS

The Senior Lien Revenue Bonds and First Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds and First Lien Revenue Bonds. The Toll Road Authority ("Toll Road") has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds and First Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 4.81 as of September 30, 2022.

B. COMMERCIAL PAPER

In addition to the outstanding bonded debt of the County, the Commissioners Court has established a general obligation commercial paper program secured by ad valorem taxes for the purpose of financing various short-term assets and temporary construction financing for certain long-term capital assets. During the period ended September 30, 2022, the commercial paper program consisted of ten series totaling $1.975 billion, of which $200 million are payable from Toll Road revenues and $1.775 billion are payable from ad valorem taxes levied. As of September 30, 2022, the County has outstanding, $133.725 million of commercial paper. Commissioners Court, by policy, limits the period allowed for a commercial paper project not to exceed three years. During the length of time the paper is outstanding, the paper may have a maturity term of 1 – 270 days.

The County enters into agreements with credit facilities to provide a line of credit that will act as assurance to the purchaser of the commercial paper that funds will be available to redeem the paper upon demand and that the County can rollover the commercial paper. For Commercial Paper Series A-1, the County has a credit agreement with State Street Bank and Trust Company, which expires August 19, 2027. For this line of credit, the County is assessed a fee of .255% per annum on the daily amount of the commitment. If converted to a term loan, the principal amount for Series A-1 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series B, the County has a credit agreement with State Street Bank and Trust Company, which expires August 19, 2027. For this line of credit, the County is assessed a fee of .255% per annum on the daily amount of commitment. If converted to a term loan, the principal amount for Series B is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series C, the County has a credit agreement with the SMBC, which expires January 10, 2025. For this line of credit, the County is assessed a fee of .20% per annum on the daily amount of commitment. If converted to a term loan, the principal amount for Series C is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. For Commercial Paper Series D, the County has a credit agreement with JPMorgan Chase Bank, National Association, which expires August 19, 2025. For this line of credit the County is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable quarterly in arrears, at a rate per annum equal to the bank rate, provided that the principal amount of any term loan not paid when due shall bear interest at a rate per annum equal to the lesser of (A) the default rate (fluctuating rate of per annum interest equal to the greater of (i) the base rate plus 2.00% or (ii) the federal funds rate plus 2.00%) and (B) the highest lawful rate.

For Commercial Paper Series D-2, the County has a credit agreement with State Street Bank and Trust Company, which expires November 13, 2024. For this line of credit the County is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D-2 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 3.0% per annum.)

For Commercial Paper Series D-3, the County has a credit agreement with Wells Fargo Bank, which expires November 12, 2024. For this line of credit the County is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series D-3 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 3.0% per annum.)

For Commercial Paper Series J-1, the County has a credit agreement with Bank of America, which expires July 1, 2023. For this line of credit the County is assessed a fee of .25% per annum on the daily amount of commitment. If converted to a term loan, the principal amount outstanding for Series J-1 is to be paid in twelve substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date. Interest is payable monthly in arrears, at a rate per annum equal to the bank rate, provided that the unpaid principal amount of any term loan not paid when due shall bear interest from and after the date payment was due until paid in full at the Default Rate (base rate from time to time in effect plus 4.0% per annum).

COMMERCIAL PAPER – FLOOD CONTROL

On November 14, 2017, Commissioners Court authorized a $64,000,000 commercial paper program designated as the Harris County Flood Control District Limited Tax Commercial Paper Notes, Series H (“Series H Notes”) secured by the District ad valorem taxes, to fund certain Flood Control projects of the District. On October 9, 2018, Commissioners Court authorized to increase the program amount of the Series H Notes from $64,000,000 to $250,000,000. On October 29, 2019, Commissioners court authorized to increase the program amount of the Series H Notes from $250,000,000 to $500,000,000. On February 8, 2022, Commissioners Court authorized a $200,000,000 commercial paper program designated as the Harris County Flood Control District Limited Tax Commercial Paper Notes, Series H-2 (“Series H-2 Notes”). As of September 30, 2022, the District has outstanding $0 of commercial paper in Series H or Series H-2 Notes.

For Commercial Paper Series H, the District has a credit agreement with JP Morgan Chase Bank, which expires December 10, 2024. For this line of credit, the District is assessed a fee of .24% per annum on the daily amount of commitment. If converted to a term loan, the principal amount of Series H shall be due and payable in substantially equal installments due quarterly on the last business day of the month in which such payment is due, commencing with the first such installment due on the term loan commencement date.

For Commercial Paper Series H-2, the District has a credit agreement with PNC Bank, which expires February 24, 2025. For this line of credit, the District is assessed a fee of .19% per annum on the daily amount of commitment. If converted to a term loan, the principal amount of Series H-2 shall be paid in twelve substantially equal installments on each amortization payment date, commencing with the first such installment on the term loan commencement date.

COMMERCIAL PAPER – TOLL ROAD

In addition to the outstanding long-term debt of the Toll Road, the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. In 2017, Commissioners Court authorized two additional commercial paper programs, for $200 million each, designated as Harris County Toll Road Senior Lien Revenue Commercial Paper Notes, Series E-1 and Series E-2 respectively (“Series E-1 and E-2 Notes”) to finance capital projects of the Toll Road. On May 31, 2021 Series E-2 was subsequently terminated. On May 2, 2022, Series E-1 was also terminated. Commissioners Court authorized a new commercial paper program in 2022, for $200 million, designated as the Harris County Toll Road System First Lien Revenue Commercial Paper Notes, Series K, to finance capital projects of Toll Road. There was $36,600,000 of commercial paper outstanding at September 30, 2022.

The Toll Road entered into a Letter of Credit Reimbursement Agreement (the “Series K Letter of Credit”) with PNC Bank, National Association, whereby the Bank supports the Series K Notes by issuing a letter of credit in the original stated amount of $214,794,521 (representing an amount supporting the total aggregate principal amount of $200,000,000 plus $14,794,521 which is 270 days’ accrued interest on such principal amount at the rate of ten percent (10%) per annum computed on a 365 day basis) for the timely payment of the principal of and interest on the Series K Notes at maturity. The Series K Letter of Credit expires April 22, 2025. For this reimbursement agreement the Authority will be assessed a fee of 0.25% per annum on the stated amount of the letter of credit. The Authority also agrees to pay the Bank a non-refundable drawing fee of $350 for each drawing under the letter of credit. If converted to a term loan, the principal amount of each term loan will be paid in twelve (12) substantially equal quarterly installments on each Amortization Payment Date, commencing with the first such installment on the Term Loan Commencement Date.

DEBT SERVICE TO MATURITY - COMMERCIAL PAPER

Expected debt service requirements for the various Commercial Paper issuances are shown below. These requirements assume that as of September 30, 2022, the County had drawn down the outstanding principal balance on the lines of credit and letter of credit and subsequently executed term loans with the banks for a principal balance of $133,725,000 at the average rate for the quarter ended September 30, 2022 by series and reflect the effects of any refundings.

	Governmental Activities			Business-type Activities		
Fiscal year	Principal	Interest	Total	Principal	Interest	Total
2023	-	273,116	273,116	-	-	-
2024	7,183,333	2,867,722	10,051,055	-	-	-
2025	13,750,000	4,851,775	18,601,775	-	927,708	927,708
2026	24,141,667	6,720,816	30,862,483	12,200,000	4,561,233	16,761,233
2027	18,233,333	3,701,328	21,934,661	12,200,000	2,705,816	14,905,816
2028	16,885,417	3,500,372	20,385,789	12,200,000	850,399	13,050,399
2029	8,233,333	2,032,689	10,266,022	-	-	-
2030	6,958,333	925,966	7,884,299	-	-	-
2031	1,739,584	66,140	1,805,724	-	-	-
	$ 97,125,000	$ 24,939,924	$ 122,064,924	$ 36,600,000	$ 9,045,156	$ 45,645,156

C. COMPONENT UNITS' LONG-TERM LIABILITIES

The County has no obligation to assume any liability for the bonds issued by any of the discretely presented component units. The total long-term liabilities of the Harris Center for Mental Health and IDD were $8,517,030, of which $8,176,239 represents long-term liabilities of the primary government related to compensated absences as of August 31, 2022 which comprises less than 1% of the total long-term liabilities of the County’s discretely presented component units.

The total long-term liabilities of the Harris County Hospital District were $970,303,000 as of September 30, 2022 which comprises over 99% of the total long-term liabilities of the County's discretely presented component units. A portion of this liability is bonds secured by a lien on the pledged revenues of the Harris County Hospital District and certain funds pursuant to the bond order.

The Harris County Hospital District also has defeased bonds, in the amount of $60,000,000 whereby the proceeds are held as irrevocable deposits of funds sufficient with trustees to pay the principal and interest of such bonds through their maturity. Accordingly, these trustee funds and the related defeased indebtedness are excluded from the Harris County Hospital District's balance sheet as of September 30, 2022.

D. COMPONENT UNITS' CONDUIT DEBT OBLIGATIONS

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

Harris County Industrial Development Corporation

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

As of August 31, 2022, there was one (1) series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable as of August 31, 2022 for the bonds issued after September 1, 1996, was approximately $25,000,000.

Harris County Housing Finance Corporation

As of December 31, 2022 there were fourteen (14) series of bonds outstanding with an aggregate principal payable of $179,437,288. These bonds have been issued by the Housing Finance Corporation to provide financing for the purpose of multifamily home projects for low and moderate income owners/residents, and will be repaid from sources defined in the various underlying financing agreements between the Housing Finance Corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation

The corporation issues bonds if there is a public benefit or public purpose that is necessary or convenient for health care, research or education. As of September 30, 2022, there were four (4) series of bonds outstanding with an aggregate principal payable of $397,175,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the Health Facilities Development Corporation and the entities for whose benefit the bonds were issued.

Harris County Cultural Education Facilities Finance Corporation

As of September 30, 2022, there were fifty-eight (58) series of Bonds outstanding with an aggregate principal payable of $5,154,171,000. The bonds were issued for the purpose of refunding certain outstanding obligations, financing costs of acquisition, construction, expansion, renovation as well as equipping facilities pursuant to the Texas Cultural Education Facilities corporation Act, Chapter 337, Texas Local Government Code, and paying costs of issuance for Space Center Houston, Baylor College of Medicine, Memorial Hermann Healthcare System, Methodist Hospital System, Texas Medical Center projects and the Young Men's Christian Association (YMCA) of the Greater Houston Area and others. The bonds of each series are limited obligations of the issuer and the payment and interest on the bonds of each series are payable solely from and secured by the issuer's assignment to each bond trustee of its rights to receive loan payments pursuant to loan agreements and indentures.

E. UNISSUED AUTHORIZED BONDS

Capital projects are funded primarily by the issuance of bonded debt. The County has received voter approval for the issuance of bonds to maintain an ongoing capital improvement program.

The following is the summary of authorized, issued and unissued bonds and commercial paper:

Description	Year of Voter Authorization	Amount Authorized	Issued as of 9/30/2022	Authorized but Unissued as of 9/30/2022
Ad Valorem Tax Bonds		(amounts in millions)		
Toll Road	1983	$ 900.0	$ 884.9	$ 15.1
Civil Justice Center	1999	119.0	86.0	33.0
Forensic Lab	2007	80.0	74.8	5.2
Family Law Center	2007	70.0	-	70.0
Parks	2015	60.0	24.6	35.4
Roads	2015	700.0	200.8	499.2
Flood	2018	2,500.0	783.2	1,716.8
Total Ad Valorem Tax Bonds		$ 4,429.0	$ 2,054.3	$ 2,374.7

F. REFUNDING/ISSUANCE OF DEBT

On March 24, 2022, the County released $3,000,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On April 12, 2022, the County released $2,300,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 31, 2022, the County utilized Ad Valorem tax funds to partially defease $28,800,000 in Series A-1 Commercial Paper notes, $35,000,000 in Series D Commercial Paper notes, and $25,000,000 of Series D-2 Commercial Paper notes.

On June 10, 2022, the County released $1,000,000 in US Treasury note pledged to JP Morgan Chase Bank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 21, 2022, the County issued $194,030,000 in Toll Road First Lien Revenue Refunding Bonds, Series 2022A, to refund the County's outstanding Toll Road Senior Lien Revenue Bonds, Series 2012C and to pay cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $30,322,620. The interest accrues semiannually and the bonds mature in 2033. The refunding resulted in savings of $41,364,200 due to a decrease in cash flow requirements and had an economic gain of $35,313,389.

On July 27, 2022, the County issued $86,855,000 in Permanent Improvement Refunding Bonds, Series 2022A, to refund a portion of the County's outstanding Permanent Improvement Refunding Bonds, Series 2012A, to defease a portion of the General Obligation Commercial Paper Notes, Series D and D-2, and to pay the cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $8,469,705. The interest accrues semiannually and the bonds mature in 2031. The refunding resulted in savings of $3,608,167 due to a decrease in cash flow requirements and had an economic gain of $3,438,144.

On July 27, 2022, the County issued $237,650,000 in Unlimited Tax Road Refunding Bonds, Series 2022A, to refund a portion of the County's outstanding Unlimited Tax Road Refunding Bonds, Series 2012A, to defease a portion of the General Obligation Unlimited Tax Commercial Paper Notes, Series C and D-3 and to pay the cost of such issuance. The annual interest rates range from 4.00% to 5.00%. The issuance had a premium of $18,638,023. The interest accrues semiannually and the bonds mature in 2047. The refunding resulted in savings of $2,815,344 due to a decrease in cash flow requirements and had an economic gain of $2,712,262.

On July 27, 2022, the County issued $99,420,000 in Tax and Subordinate Lien Revenue Refunding Bonds, Series 2022A, to refund a portion of the County's outstanding Tax and Subordinate Lien Revenue Refunding Bonds, Series 2012A, and to pay the cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $16,436,394. The interest accrues semiannually and the bonds mature in 2032. The refunding resulted in savings of $21,452,388 due to a decrease in cash flow requirements and had an economic gain of $18,158,027.

On August 1, 2022, the County released $10,000,000 in US Treasury bill pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On September 22, 2022, the County issued $222,975,000 in Flood Control District Improvement Refunding Bonds, Series 2022A, to defease $215,000,000 of the County's outstanding Flood Control District Limited Tax Commercial Paper Notes, Series H, and $20,225,000 of the County's outstanding Flood Control District Limited Tax Commercial Paper Notes, Series H-2, and to pay the cost of such issuance. The annual interest rates range from 4.00% to 5.25%. The issuance had a premium of $13,601,136. The interest accrues semiannually and the bonds mature in 2047. No savings or economic loss is recognized due to the defeasance of commercial paper. The refunding resulted in no savings or economic benefit.

G. DEFEASANCE OF DEBT

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

As of September 30, 2022, the outstanding principal balance of these defeased bonds was as follows:

Property Tax Bonds:	Road	$	54,700,000
	Permanent Improvement		54,605,000
Total Defeased Bonds		$	109,305,000

H. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. As of September 30,2022, there was $64,966 in liabilities for arbitrage rebate on the Flood Control District debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

I. INTEREST RATE SWAPS TOLL ROAD: The County entered interest rate swaps with Citibank, N.A., New York, and JP Morgan Chase Bank, National Association, relating to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

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 09/30/22:	($8,172,113)	($8,172,113)
Collateral Pledged:	$2,500,000 (c)	$2,700,000 (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 $67,000,000.
(c) The County pledged a $2.5 million US Treasury bill with a $50,000,000 par, at .055% 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 $2.7 million US Treasury note with a $40,000,000 par at .125% 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 $8,172,113, which is based on a fair value calculation.	The exposure to the County is $8,172,113, which is based on a fair value calculation.

J. <u>SUBSEQUENT DEBT RELATED ACTIVITY</u>

On December 15, 2022, the County issued $29,725,000 in Tax and Subordinate Lien Revenue

Certificates of Obligation, Series 2022, to fund projects at NRG Park County-owned facilities and to pay the cost of such issuance. The annual interest rate is 5.00%. The issuance had a premium of $3,538,175. The interest accrues semiannually and the bonds mature in 2033. No savings or economic loss is recognized. The refunding resulted in no savings or economic benefit.

K. LEASE LIABILITY

The County leases buildings and equipment, the terms of which expire in various years through 2032. Variable payments of certain leases are based upon the Consumer Price Index (Index). The leases were measured based upon the Index at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

The following is a schedule by year of payments under the leases as of September 30, 2022:

Year Ending September 30,	Total to Be Paid	Principal	Interest
2023	$ 10,282,131	$ 9,489,702	$ 792,429
2024	8,823,835	8,207,998	615,837
2025	8,326,852	7,876,111	450,741
2026	5,988,195	5,686,427	301,768
2027	3,558,699	3,350,097	208,602
2028 - 2032	7,517,043	7,207,932	309,111
	$ 44,496,755	$ 41,818,267	$ 2,678,488

9. RETIREMENT PLAN

Plan Description. Harris County provides retirement, disability, and survivor benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). Harris County Sports & Convention Corporation ("HCSCC") also provides retirement, disability, and survivor benefits for all of its employees through a separate nontraditional defined benefit pension plan also in the statewide TCDRS.

Both plans are accounted for as an agent multiple-employer defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis. The annual report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

Benefits Provided.

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

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

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

Benefits are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these credits is approved by the HCSCC Board within the actuarial constraints imposed by the TCDRS Act. As a result, benefits can be expected to be adequately financed by HCSCC's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. HCSCC's current match is 225%.

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

	County		**HCSCC**	
	12/31/20	12/31/21	12/31/20	12/31/21
Inactive employees or beneficiaries currently receiving benefits	9,753	10,196	1	1
Inactive employees entitled but not yet receiving benefits	9,346	9,800	-	1
Active employees	19,401	19,921	7	6
Total	38,500	39,917	8	8

Contributions.
The County has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The County contributed using an actuarially determined rate of 15.1% of covered payroll for the months of the calendar year 2020, 2021 and the first 9 months of 2022. HCSCC contributed using an actuarially determined rate of 11.8% of covered payroll for the months of the calendar year 2020, 2021 and the first 9 months of 2022.

The contribution rate payable by the employee members for 2021 and 2022 is 7% as adopted by Commissioners Court and as approved by the HCSCC Board. The Harris County employee contribution rate and the employer contribution rate may be changed by Commissioners Court, and the HCSCC employee and HCSCC contribution rates may be changed by the HCSCC Board, both within the options available in the TCDRS Act.

Actuarial Assumptions. For the period ended September 30, 2022, the net pension (asset)/liability was measured as of December 31, 2021, and the total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Neither plan has an automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plans may elect an ad-hoc COLA for its retirees.

The annual salary increases rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.

Mortality rates for depositing members were based on the Pub-2010 General Retirees Table for males and females as appropriate. Service retirees, beneficiaries, and non-depositing members were based on Pub-2010 General Retirees Amount-Weighted Mortality for males and females as appropriate. Disabled retirees were based on Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and females as appropriate.

The actuarial cost method was Entry Age Normal, as required by GASB No. 68. The actuarial assumptions used in the December 31, 2021 valuation for the County were developed from an actuarial experience investigation of TCDRS over the years 2017-2020, except where required to be different by GASB No. 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2022 information for a 10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2021 and reviewed annually for continued compliance with relevant standards of practice. The following target asset allocation was adopted by the TCDRS board in March 2022. The geometric real rate of return is net of inflation, assumed at 2.6%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed	5.00%	3.80%
International Equities - Emerging	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships (MLPs)	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
	100.00%	

<u>Discount Rate.</u> The discount rate used to measure the total pension liability was 7.6%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability ("UAAL") shall be amortized as a level percent of pay over 20-year 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 (asset)/liability of the employer is equal to the long-term assumed rate of return on investments.

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

	Harris County (amounts in thousands)		
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2020	$ 7,669,725	$ 6,926,061	$ 743,664
Changes for the year:			
Service cost	199,137	-	199,137
Interest on total pension liability	583,779	-	583,779
Effect of economic/demographic gains or loss	(8,769)	-	(8,769)
Effect of assumptions changes or inputs	4,607	-	4,607
Refund of contributions	(14,058)	(14,058)	-
Benefit payments	(368,054)	(368,054)	-
Administrative expenses	-	(4,504)	4,504
Member contributions	-	88,129	(88,129)
Net investment income	-	1,509,284	(1,509,284)
Employer contributions	-	189,304	(189,304)
Other	-	(1,049)	1,049
Balances as of December 31, 2021	$ 8,066,367	$ 8,325,113	$ (258,746)

	HCSCC		
	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2020	$ 667,183	$ 781,442	$ (114,259)
Changes for the year:			
Service cost	136,535	-	136,535
Interest on total pension liability	60,992	-	60,992
Effect of economic/demographic gains or losses	(69,750)	-	(69,750)
Effect of assumptions changes or inputs	(1,089)	-	(1,089)
Benefit payments	(2,444)	(2,444)	-
Administrative expenses	-	(600)	600
Member contributions	-	51,691	(51,691)
Net investment income	-	187,287	(187,287)
Employer contributions	-	86,840	(86,840)
Other	-	4,071	(4,071)
Balances as of December 31, 2021	$ 791,427	$ 1,108,287	$ (316,860)

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

	Harris County (amounts in thousands)			HCSCC		
	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 9,142,862	$ 8,066,367	$ 7,163,755	$ 914,550	$ 791,428	$ 688,734
Fiduciary net position	8,325,113	8,325,113	8,325,113	1,108,288	1,108,288	1,108,288
Net pension (asset)/liability	$ 817,749	$ (258,746)	$ (1,161,358)	$ (193,738)	$ (316,860)	$ (419,554)

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

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions. For the measurement period ended December 31, 2021, the County recognized pension income of $21,096,086 and HCSCC recognized pension expense of $47,977 in the fiscal year ended February 28, 2022. The measurement period is still the same for the period ended September 30, 2022, therefore, no pension expense was recognized during the period. County and HCSCC reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Harris County
(amounts in thousands)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 10,841	$ 18,187
Changes of assumptions	-	298,977
Net difference between projected and actual earnings	948,771	-
Contributions made subsequent to the measurement date	-	151,035
	$ 959,612	$ 468,199

HCSCC

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 91,961	$ 41,673
Changes of assumptions	933	36,898
Net difference between projected and actual earnings	106,876	-
Contributions made subsequent to the measurement date	-	12,565
	$ 199,770	$ 91,136

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

Year ended December 31:	Harris County (amounts in thousands)	HCSCC
2022	$ (128,953)	$ (29,065)
2023	(242,945)	(35,419)
2024	(148,866)	(30,171)
2025	(121,684)	(32,606)
2026	-	(24)
Thereafter	-	6,086
Total	$ (642,448)	$ (121,199)

Payable to the Pension Plan. At September 30, 2022, the County and HCSCC reported payables of $33,255,802 and $10,022, respectively, for the outstanding amount of contributions to the pension plan. Pensions are liquidated from the General Fund.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision ("CS") is not considered a department or a component unit of the County and thus is presented below for consideration as part of the total pension balances. The net pension asset for CS at February 28, 2022 and September 30, 2022 is $5,639,902.

The deferred inflows and outflows reported for CS at September 30, 2022 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 236	$ 396
Changes of assumptions	-	6,517
Net difference between projected and actual earnings	20,680	-
Contributions made subsequent to the measurement date	-	3,371
	$ 20,916	$ 10,284

For the measurement period ended December 30, 2021, CS recognized pension income of $1,857,701. The RSI following the notes to the financial statements contains: the schedule of changes in the County's net pension (asset)/liability and related ratios, and the schedule of County contributions.

10. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

THE PLAN:

Plan Description. Harris County administers an agent multiple-employer defined benefit postemployment healthcare plan that covers retired employees of participating governmental entities. The employers in the plan are: the Harris County, Flood Control District, Toll Road, Juvenile Board, Community Supervision, and Emergency 911. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioners Court. Harris County's defined OPEB plan is not considered a trust.

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

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

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

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

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

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

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

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

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

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

Retiree Healthcare Contribution Policy Update dated October 23, 2018:
The following contribution rules are effective March 1, 2019.

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

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

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

All employees will be required to have had continuous employment as a Regular employee or to have been covered under the Harris County medical plan as an Active Employee for four consecutive years prior to retirement to be eligible for any County premium contribution. When calculating whether the retiree meets this requirement, the following absences are included: 1) Qualified leave of absence (LOA) only if the person elected COBRA coverage during the LOA; (2)

Approved Military Leave; and (3) A break in service of no more than four months only if the person elected COBRA coverage.

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

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

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

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

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

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

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 Total OPEB Liability was measured as of September 30, 2022 and was determined by an actuarial valuation as of March 1, 2022. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

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

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent wage inflation plus 2021 TCDRS merit scale
Inflation rate	2.75 percent
Healthcare cost trend rate	6.50 percent for 2022, 6.00 percent for 2023, 5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years
Preretirement Mortality	
Males	135% of Pub-2010 General Employees Headcount-Weighted.
Females	120% of Pub-2010 General Employees Headcount-Weighted.
Postretirement Mortality	
Males	135% of Pub-2010 General Retirees Headcount-Weighted.
Females	120% of Pub-2010 General Retirees Headcount-Weighted.
Mortality Improvement:	100% of the MP-2021 Ultimate Projection Scale.

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

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

Reporting Date	Measurement Date	Fidelity GO AA 20 Years Municipal Index	Discount Rate [a]
February 28, 2022	February 28, 2022	2.37%	2.25%
September 30, 2022	September 30, 2022	4.40%	4.50%

[a] Municipal Index rounded to nearest 25 basis points

Schedule of Changes in Net OPEB Liability (March 1, 2022 to September 30, 2022).

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balances as of March 1, 2022	$ 3,944,766,171	$ -	3,944,766,171
Changes for the year:			-
Service cost	118,068,219	-	118,068,219
Interest	53,688,035	-	53,688,035
Difference between expected and actual experience	165,734,233	-	165,734,233
Contributions – employer	-	40,930,991	(40,930,991)
Changes of assumptions	(1,461,485,410)	-	(1,461,485,410)
Benefit payments (1)	(40,930,991)	(40,930,991)	-
Balances as of September 30, 2022	$ 2,779,840,257	$ -	$ 2,779,840,257

(1) Includes $40,391,991 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of $0.

There was a large decrease in the net OPEB liability mainly due to the decrease in the changes of assumptions. This decrease was due to the municipal bond index rates decreasing from prior fiscal year 2022 to the period ended September 30, 2022.

Sensitivity of the Total 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 (3.50 percent) or 1-percentage-point higher (5.50 percent) than the current discount rate:

Harris County:	1% Decrease 3.50%	Discount Rate 4.50%	1% Increase 5.50%
Total OPEB liability	$ 3,296,390,871	$ 2,779,840,257	$ 2,369,723,580

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

Harris County:	1% Decrease[2]	Trend Rate	1% Increase[3]
Total OPEB liability	$ 2,315,680,765	$ 2,779,840,257	$ 3,385,783,254

[2] Trend rate for each future year reduced by 1.00%.

[3] Trend rate for each future year increased by 1.00%.

<u>OPEB Expense and Deferred Inflows/Outflows of Resources Related to OPEB.</u> For the measurement period ended September 30, 2022, the County recognized OPEB expense of $169,434,780. At September 30, 2022, the County's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 214,270,522
Changes in assumptions or other inputs	1,350,766,818	885,515,938
Total	$ 1,350,766,818	$ 1,099,786,460

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

Year ended February 28/29:		Deferred Outflows/Inflows of Resources
2023		(3,979,669)
2024		(3,979,669)
2025		(3,979,669)
2026		(3,979,669)
2027		(11,172,439)
2028		(90,292,950)
2029		(121,641,579)
2030		(11,954,714)
	$	(250,980,358)

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 September 30, 2022 is $17,246,705.

The deferred inflows and outflows reported for CS and 911 at September 30, 2022 were:

	Deferred Inflows of Resources		Deferred Outflows of Resources	
Differences between expected and actual experience	$	-	$	1,182,295
Changes in assumptions or other inputs		6,167,345		4,886,073
Total	$	6,167,345	$	6,068,368

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

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

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

11. RISK MANAGEMENT

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

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

The County is self-insured for workers' compensation claims and reimburses a third-party administrator who evaluates and pays claims in accordance with State statute. The County's workers' compensation self-insurance program provides medical and indemnity payments as required by law for job-related injuries. The liability for outstanding losses includes an actuarially determined amount for incurred but not reported claims. The County has an excess coverage insurance policy that activates when a claim reaches $800,000. Interfund premiums for workers' compensation are actuarially determined by claims expense experience and payroll history. For period ended September 30, 2022, the County experienced claims in excess of insurance coverage.

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

The Risk Management Fund (Workers' Compensation) is available to pay claims and administrative costs of the programs and to fund claim reserves. During the period ended September 30, 2022, a total of $5,377,745 was paid in benefits and administrative costs. As of September 30, 2022, claims liability, including an actuarial estimate of claims that have been incurred but not reported and accrued unpaid claims administration, totaled $33,951,118.

The following is a summary of the changes in worker's compensation claims liability for the Risk Management Fund for the period ended September 30, 2022 and fiscal year 2022:

	9/30/2022	2/28/2022
Claims liability, beginning of fiscal year	$ 37,826,527	$ 26,437,515
Incurred claims (including IBNRs)	2,447,741	18,705,985
Claim payments	(6,323,150)	(7,316,973)
Claims liablility, end of fiscal year	$ 33,951,118	$ 37,826,527

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

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

The following is a summary of the changes in medical insurance liability for the Health Insurance Management Fund for the period ended September 30, 2022 and fiscal year 2022:

	9/30/2022	2/28/2022
Claims liability, beginning of fiscal year	$ 47,254,468	$ 53,581,835
Incurred claims (including IBNRs)	227,128,581	362,570,757
Claim payments	(229,506,275)	(368,898,124)
Claims liablility, end of fiscal year	$ 44,876,774	$ 47,254,468

12. LANDFILL POSTCLOSURE CARE COST

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

13. COMMITMENTS AND CONTINGENT LIABILITIES

POLLUTION REMEDIATION

The County is subject to numerous Federal, State and local environmental laws and regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The County recorded in the financial statements pollution remediation liabilities of $5,472,793. This includes $741,419 of Flood Control District liabilities. Additional costs, if any, are not expected to have a material effect on the financial condition of the County. The County primarily has ground water and air pollution remediation obligations. The liabilities were calculated based on historical expenditures and professional judgment. The liabilities are an estimate and are subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. There are a few potential pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable at this time. These obligations include examples, such as ground water plumes whose extent and reach of contamination is in the process of being delineated under regulatory requirements and thus corrective action has not yet been determined; obligations recently identified and/or not yet quantifiable; and a lawsuit for cost-recovery under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) where the matter is under litigation, large numbers of responsible parties have been identified, and cost have not been apportioned yet by the court. Although uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate.

LITIGATION

The County is involved in lawsuits and other claims in the ordinary course of operations. Such litigation includes lawsuits alleging personal injuries, discriminatory hiring and firing practices, claims from contractors for amounts under construction contracts, inverse condemnation claims, and various other liability claims. The outcome of most of these lawsuits and other claims are not presently determinable and the resolutions of these matters are not expected to have a material effect on the financial condition of the County. There are several civil cases that have resulted in settlements, consent decrees or are expected to have a financial impact on the County in subsequent fiscal years. Total liabilities of $4,300,000 for judgements payable have been recorded in the governmental activities of the Government-Wide financial statements.

OTHER

The County received significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any financial statements of the individual fund types included herein or on the overall financial position of the County as of September 30, 2022.

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

An amended agreement between Metro and the County related to the Westpark Corridor was approved by Commissioners Court on May 7, 2013. Per this agreement the County is obligated to reimburse Metro for certain increased project costs if incurred. The County's liability to Metro under the agreement shall not exceed the cap of $41 million and the escalation thereof. Ad valorem taxes are irrevocably pledged to the payment.

CONSTRUCTION COMMITMENTS

The County is committed under various contracts in connection with the construction of County facilities, buildings, and roads of $337,005,894. In addition, the County has construction commitments outstanding relating to the Toll Road of approximately $251,697,478.

ENCUMBRANCES

The County uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of September 30, 2022, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$ 145,883,413	$ -	$ 60,843,701	$ 206,727,114
Nonmajor Governmental	346,942,115	8,136,753	-	355,078,868
	$ 492,825,528	$ 8,136,753	$ 60,843,701	$ 561,805,982

14. FUND BALANCES

The following non-major governmental funds had negative fund balance at September 30, 2022:

Special Revenue Funds:

Port Security Program	$ 32,556	Negative due to timing differences in expenditures and billing procedures.

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. The following is a detail of fund balances for all the major and nonmajor governmental funds at September 30, 2022:

Fund Balances:	General Fund	Nonmajor Governmental	Total
Nonspendable:			
Inventories	$ 1,363,521	$ -	$ 1,363,521
Prepaids	12,374,991	24,894,529	37,269,520
Advances	370,000	-	370,000
Total nonspendable	14,108,512	24,894,529	39,003,041
Restricted for:			
Debt service	5,720,666	5,480,508	11,201,174
Mobility	369,230,450	-	369,230,450
Infrastructure	165,893,528	-	165,893,528
Flood control	-	45,680,893	45,680,893
Sports & Convention Corporation	-	23,423,001	23,423,001
HC Redevelopment Authority	-	2,515,289	2,515,289
Tourism	-	35,146,869	35,146,869
District attorney administration	-	41,917	41,917
Records management	-	18,696,035	18,696,035
Forfeited funds	-	21,730,345	21,730,345
Affordable housing	-	8,058,040	8,058,040
Donations & other contributions	-	2,888,595	2,888,595
Administration of justice	-	34,425,114	34,425,114
County administration	-	14,608,648	14,608,648
Health and human services	-	27,247,315	27,247,315
Medical programs	-	11,991,619	11,991,619
Grant programs	-	3,693,782	3,693,782
Capital projects	-	456,822,086	456,822,086
Other	249,745	-	249,745
Total restricted	541,094,389	712,450,056	1,253,544,445
Committed to:			
Legislative	18,241,892	-	18,241,892
Community development	-	2,578,514	2,578,514
Environmental settlements	-	5,584,295	5,584,295
Other	1,195,888	1,759,800	2,955,688
Capital projects	-	49,384,748	49,384,748
Total committed	19,437,780	59,307,357	78,745,137
Assigned to:			
County operations	60,843,701	-	60,843,701
Total assigned	60,843,701	-	60,843,701
Unassigned	335,919,450	(32,556)	335,886,894
Total fund balances	$ 971,403,832	$ 796,619,386	$ 1,768,023,218

Public Contingency Sub-fund

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

The Public Contingency sub-fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Public Contingency's fund balance in the amount of $160,634,179 is reported as nonspendable, assigned, and unassigned fund balances in the General Fund.

15. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – ("GASB 94"), primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented by the County the year ended September 30, 2023 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 the year ended September 30, 2023 and the impact has not yet been determined.

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

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – ("GASB 100"), The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB 100 will be implemented by the County as of the year ended September 30, 2024 and the impact has not yet been determined.

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

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Period Ended September 30, 2022

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
GENERAL FUND - OPERATING				
Beginning Cash and Investments	$ 1,474,473,749	$ 1,474,631,782	$ 1,450,805,454	$ (23,826,328)
Revenues and Transfers In:				
Taxes	73,138,923	73,138,923	59,041,109	(14,097,814)
Intergovernmental	37,371,638	40,387,135	44,957,985	4,570,850
Charges for Services	162,019,250	162,428,993	171,471,382	9,042,389
Fines and Forfeitures	7,539,471	7,539,471	7,903,903	364,432
Lease & User Fees	631,282	631,282	707,869	76,587
Interest	2,865,085	2,865,085	2,604,154	(260,931)
Miscellaneous	22,626,586	26,810,217	34,002,737	7,192,520
Other Transfer In	-	1,245,876	13,772,279	12,526,403
Total Revenues and Transfers In	306,192,235	315,046,982	334,461,418	19,414,436
Total Available Resources - General Fund - Operating	1,780,665,984	1,789,678,764	1,785,266,872	(4,411,892)
GENERAL FUND - HURRICANE HARVEY RECOVERY				
Beginning Cash and Investments	6,725,538	6,725,538	6,652,409	(73,129)
Revenues and Transfers In:				
Interest	24,809	24,809	760	(24,049)
Total Revenues and Transfers In	24,809	24,809	760	(24,049)
Total Available Resources - General Fund - Hurricane Harvey	6,750,347	6,750,347	6,653,169	(97,178)
GENERAL FUND - PUBLIC IMPROVEMENT CONTINGENCY				
Beginning Cash and Investments	48,973,212	55,686,487	54,020,081	(1,666,406)
Revenues and Transfers In:				
Taxes	113,572	113,572	2,329	(111,243)
Interest	278,365	278,365	414,065	135,700
Miscellaneous	6,500	232,521	243,124	10,603
Other Transfer In	-	131,200,162	134,325,986	3,125,824
Total Revenues and Transfers In	398,437	131,824,620	134,985,504	3,160,884
Total Available Resources - General Fund - Public Imp.	49,371,649	187,511,107	189,005,585	1,494,478
GENERAL FUND - COVID RESPONSE & RECOVERY				
Beginning Cash and Investments	68,644,532	67,192,240	67,192,240	-
Revenues and Transfers In:				
Interest	255,111	255,111	56,879	(198,232)
Total Revenues and Transfers In	255,111	255,111	56,879	(198,232)
Total Available Resources - General Fund - COVID Response	68,899,643	67,447,351	67,249,119	(198,232)
FLEX Fund 1040				
Revenues and Transfers In:				
Interest	-	-	38,390	38,390
Transfers In & Other Financing Sources	-	3,679,293	12,345,544	8,666,251
Total Revenues and Transfers In	-	3,679,293	12,383,934	8,704,641
Total Available Resources - General Fund - Flex Fund	-	3,679,293	12,383,934	8,704,641
GENERAL FUND - MOBILITY FUND				
Beginning Cash and Investments	351,991,400	353,024,733	386,698,188	33,673,455
Revenues and Transfers In:				
Interest	1,129,610	1,129,610	746,661	(382,949)
Miscellaneous	-	697,588	903,794	206,206
Other - Transfers In	123,881,385	123,881,385	123,983,323	101,938
Total Revenues and Transfers In	125,010,995	125,708,583	125,633,778	(74,805)
Total Available Resources - General Fund - Mobility Fund	477,002,395	478,733,316	512,331,966	33,598,650

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Period Ended September 30, 2022

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
GENERAL FUND - INFRASTRUCTURE FUND				
Beginning Cash and Investments	182,760,252	181,174,797	197,340,245	16,165,448
Revenues and Transfers In:				
Interest	542,966	542,966	293,867	(249,099)
Total Revenues and Transfers In	542,966	542,966	293,867	(249,099)
Total Available Resources - General Fund - Infrastructure Func	183,303,218	181,717,763	197,634,112	15,916,349
GENERAL FUND - DEBT SERVICE				
Beginning Cash and Investments:				
HC/FC Agreement 2008A CP Refunding	-	355,555	355,555	-
HC/FC Agreement 2014A CP Refunding	2,996,917	2,996,917	2,818,576	(178,341)
HC/FC Agreement 2014B CP Refunding	1,103,202	1,103,202	592,186	(511,016)
HC/FC Agreement 2015B CP Refunding	1,435,194	1,435,194	1,314,148	(121,046)
HC/FC Agreement 2017A CP Refunding	7,703,717	7,703,717	7,409,547	(294,170)
HC/FC Agreement 2019A CP Refunding	32,622,570	32,622,570	32,278,332	(344,238)
Commercial Paper Series B	240,095	240,095	231,246	(8,849)
Commercial Paper Series A1	29,425,814	29,425,814	29,649,653	223,839
Permanent Improvement Commercial Paper Series D	54,785,323	62,275,312	62,275,312	-
Commercial Paper Series D2	899,326	899,326	913,327	14,001
Commercial Paper Series D3	717,889	717,889	698,154	(19,735)
Commercial Paper Series J1 2020	4,472,273	4,472,273	414,708	(4,057,565)
Revenue Refunding Series 2002	213,320	213,320	213,293	(27)
Tax & Subordinate Lien Refunding Series 2012A	12,698,089	12,698,089	12,699,104	1,015
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18E0	3,287,405	3,287,405	3,280,925	(6,480)
Permanent Improvement Refunding Series 2012A	4,458,503	4,458,503	4,233,394	(225,109)
Permanent Improvement Refunding Series 2012B	6,350,439	6,350,439	5,613,219	(737,220)
Permanent Improvement Refunding Series 2015A - DS	18,179,943	20,379,159	20,379,159	-
Permanent Improvement Refunding Series 2015B - DS	4,848,598	4,848,598	2,810,150	(2,038,448)
Permanent Improvement Refunding Series 2017A - DS	16,963,115	16,963,115	16,698,978	(264,137)
Permanent Improvement Refunding Series 2019A - DS	452,127	452,127	328,102	(124,025)
Permanent Improvement Refunding Series 2020A - DS	28,529,005	28,529,005	22,006,654	(6,522,351)
Permanent Improvement Refunding Series 2021 - DS	2,395,862	2,395,862	2,072,407	(323,455)
Permanent Improvement Refunding Series 2021 - COI	5,620	5,620	3,120	(2,500)
Permanent Improvement Refunding Series 2021A - DS	-	-	682	682
Permanent Improvement Refunding Series 2021A - COI	355,495	355,495	312,359	(43,136)
Total Beginning Cash and Investments	235,139,841	245,184,601	229,602,290	(15,582,311)
Revenues and Transfers In:				
HC/FC Agreement 2014A CP Refunding	145,408	145,408	103,029	(42,379)
HC/FC Agreement 2014B CP Refunding	138,831	138,831	412,367	273,536
HC/FC Agreement 2015B CP Refunding	57,208	57,208	86,049	28,841
HC/FC Agreement 2017A CP Refunding	315,508	315,508	275,813	(39,695)
HC/FC Agreement 2019A CP Refunding	1,277,762	1,277,762	1,628,459	350,697
Commercial Paper Series B	638	638	574	(64)
Commercial Paper Series A1	1,232,161	1,232,161	1,021,067	(211,094)
Permanent Improvement Commercial Paper Series D	2,559,991	39,059,991	38,857,028	(202,963)
Commercial Paper Series D2	7,464	28,507,464	28,506,937	(527)

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Period Ended September 30, 2022

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Commercial Paper Series D3	5,126	50,005,126	50,020,054	14,928
Commercial Paper Series J1 2020	8,422	8,422	5,922	(2,500)
Revenue Refunding Series 2002	70	70	461	391
Tax & Subordinate Lien Refunding Series 2012A	19,119,681	137,021,443	124,322,363	(12,699,080)
Tax & Subordinate Lien Refunding Series 2022A DS	-	118,445,582	118,734,239	288,657
Tax & Subordinate Lien Refunding Series 2022A - COI	-	217,495	217,783	288
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18E0	3,280,000	3,280,000	6,370	(3,273,630)
Permanent Improvement Refunding Series 2012A	191,298	55,952,709	55,934,605	(18,104)
Permanent Improvement Refunding Series 2012B	256,316	256,316	651,805	395,489
Permanent Improvement Refunding Series 2015A - DS	832,853	832,853	789,274	(43,579)
Permanent Improvement Refunding Series 2015B - DS	132,219	132,219	144,851	12,632
Permanent Improvement Refunding Series 2017A - DS	701,410	701,410	732,472	31,062
Permanent Improvement Refunding Series 2019A - DS	59,881	59,881	62,399	2,518
Permanent Improvement Refunding Series 2020A - DS	983,126	983,126	872,047	(111,079)
Permanent Improvement Refunding Series 2021	105,042	105,042	83,119	(21,923)
Permanent Improvement Refunding Series 2021A - DS	3,310,533	3,310,533	3,330,657	20,124
Permanent Improvement Refunding Series 2021A - COI	-	-	18	18
Permanent Improvement Refunding Series 2022A - DS	-	96,204,452	96,230,283	25,831
Permanent Improvement Refunding Series 2022A - COI	-	180,409	180,648	239
Total Revenues and Transfers In	34,720,948	538,432,059	523,210,693	(15,221,366)
Total Available Resources:				
HC/FC Agreement 2008A CP Refunding	-	355,555	355,555	-
HC/FC Agreement 2014A CP Refunding	3,142,325	3,142,325	2,921,605	(220,720)
HC/FC Agreement 2014B CP Refunding	1,242,033	1,242,033	1,004,553	(237,480)
HC/FC Agreement 2015B CP Refunding	1,492,402	1,492,402	1,400,197	(92,205)
HC/FC Agreement 2017A CP Refunding	8,019,225	8,019,225	7,685,360	(333,865)
HC/FC Agreement 2019A CP Refunding	33,900,332	33,900,332	33,906,791	6,459
Commercial Paper Series B	240,733	240,733	231,820	(8,913)
Commercial Paper Series A1	30,657,975	30,657,975	30,670,720	12,745
Permanent Improvement Commercial Paper Series D	57,345,314	101,335,303	101,132,340	(202,963)
Commercial Paper Series D2	906,790	29,406,790	29,420,264	13,474
Commercial Paper Series D3	723,015	50,723,015	50,718,208	(4,807)
Commercial Paper Series J1 2020	4,480,695	4,480,695	420,630	(4,060,065)
Revenue Refunding Series 2002	213,390	213,390	213,754	364
Tax & Subordinate Lien Refunding Series 2012A	31,817,770	149,719,532	137,021,467	(12,698,065)
Tax & Subordinate Lien Refunding Series 2022A DS	-	118,445,582	118,734,239	288,657
Tax & Subordinate Lien Refunding Series 2022A - COI	-	217,495	217,783	288
Tax & Subordinate Lien HOT Bond 19B Debt Service Fund 18E0	6,567,405	6,567,405	3,287,295	(3,280,110)
Permanent Improvement Refunding Series 2012A	4,649,801	60,411,212	60,167,999	(243,213)
Permanent Improvement Refunding Series 2012B	6,606,755	6,606,755	6,265,024	(341,731)
Permanent Improvement Refunding Series 2015A - DS	19,012,796	21,212,012	21,168,433	(43,579)
Permanent Improvement Refunding Series 2015B - DS	4,980,817	4,980,817	2,955,001	(2,025,816)
Permanent Improvement Refunding Series 2017A - DS	17,664,525	17,664,525	17,431,450	(233,075)
Permanent Improvement Refunding Series 2019A - DS	512,008	512,008	390,501	(121,507)
Permanent Improvement Refunding Series 2020A - DS	29,512,131	29,512,131	22,878,701	(6,633,430)
Permanent Improvement Refunding Series 2021	2,500,904	2,500,904	2,155,526	(345,378)
Permanent Improvement Refunding Series 2021 - COI	5,620	5,620	3,120	(2,500)
Permanent Improvement Refunding Series 2021A - DS	3,310,533	3,310,533	3,331,339	20,806
Permanent Improvement Refunding Series 2021A - COI	355,495	355,495	312,377	(43,118)
Permanent Improvement Refunding Series 2022A - DS	-	96,204,452	96,230,283	25,831
Permanent Improvement Refunding Series 2022A - COI	-	180,409	180,648	239
Total Available Resources - General Fund - Debt Service	269,860,789	783,616,660	752,812,983	(30,803,677)
TOTAL GENERAL FUND				
Beginning Cash and Investments	2,368,708,524	2,383,620,178	2,392,310,907	8,690,729
Revenues and Transfers In	467,145,501	1,115,514,423	1,131,026,833	15,512,410
TOTAL GENERAL FUND	$ 2,835,854,025	$ 3,499,134,601	$ 3,523,337,740	$ 24,203,139

See notes to required supplementary information.

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

For The Period Ended September 30, 2022

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEPARTMENTS				
PID Shared Operations	$ -	$ 195,373	$ 16,166	$ 179,207
Appraisal District	7,250,000	10,492,345	7,000,537	3,491,808
County Judge	5,969,292	6,180,292	5,855,769	324,523
Commissioner Precinct 1	62,255,241	75,668,760	20,359,101	55,309,659
Commissioner Precinct 2	39,198,268	45,622,984	24,682,462	20,940,522
Commissioner Precinct 3	36,953,334	42,172,019	26,442,970	15,729,049
Commissioner Precinct 4	45,544,218	52,911,794	21,203,351	31,708,443
Commissioner's Crt Analyst Ofc	820,635	860,269	740,526	119,743
Office of County Administration	6,627,690	4,427,480	2,717,996	1,709,484
Office of Management & Budget	4,630,451	4,630,451	4,096,020	534,431
General Administration	437,066,887	339,302,198	122,859,231	216,442,967
Intergovernmetal & Global Affairs	1,193,425	1,243,791	872,605	371,186
Economic Equity & Opportunity	2,912,635	3,003,959	2,777,031	226,928
Justice Administration	3,853,473	4,404,304	2,219,917	2,184,387
Public Infrastructure - Architecture & Engineering	40,862,547	41,246,215	37,510,382	3,735,833
Human Resource Risk Management	4,809,046	6,152,609	4,914,023	1,238,586
Fire Marshal's Office	7,033,358	7,205,836	6,761,386	444,450
Institute of Forensic Science	23,477,248	23,754,462	22,647,441	1,107,021
Pollution Control Department	5,878,883	5,878,883	4,617,317	1,261,566
Public Health Services	28,377,219	28,683,030	23,359,611	5,323,419
Veterans Service Office	844,288	844,288	793,624	50,664
Public Library	23,158,516	23,724,418	22,258,660	1,465,758
Domestic Relations	4,494,008	4,507,008	4,417,717	89,291
Community Services	12,696,716	19,049,685	15,715,559	3,334,126
Universal Services	45,550,574	47,571,793	42,835,496	4,736,297
US Repairs and Replacement	12,109,043	12,109,043	12,109,043	-
MHMRA	13,455,850	13,455,850	13,455,850	-
FPM Utilities and Leases	11,083,333	13,958,093	12,905,256	1,052,837
Constable Precinct 1	27,687,202	30,584,251	30,571,862	12,389
Constable Precinct 2	7,203,497	7,391,710	7,164,564	227,146
Constable Precinct 3	12,215,262	13,218,133	12,617,530	600,603
Constable Precinct 4	38,725,117	40,840,817	39,848,754	992,063
Constable Precinct 5	28,554,047	30,105,430	28,685,304	1,420,126
Constable Precinct 6	6,998,207	7,017,852	6,388,193	629,659
Constable Precinct 7	9,582,988	9,704,071	8,711,861	992,210
Constable Precinct 8	6,157,362	6,165,238	5,855,176	310,062
Justice of the Peace 1-1	1,506,651	1,506,651	1,436,449	70,202
Justice of the Peace 1-2	1,597,877	1,607,111	1,378,262	228,849
Justice of the Peace 2-1	722,411	722,411	664,364	58,047
Justice of the Peace 2-2	685,710	685,710	568,987	116,723
Justice of the Peace 3-1	1,202,877	1,202,877	1,107,470	95,407
Justice of the Peace 3-2	846,504	846,504	814,310	32,194
Justice of the Peace 4-1	2,077,411	2,077,411	1,928,871	148,540
Justice of the Peace 4-2	1,097,345	1,097,345	989,398	107,947
Justice of the Peace 5-1	1,567,724	1,567,724	1,271,734	295,990
Justice of the Peace 5-2	2,094,691	2,094,691	1,933,211	161,480
Justice of the Peace 6-1	524,880	628,722	572,542	56,180
Justice of the Peace 6-2	581,033	581,033	434,841	146,192
Justice of the Peace 7-1	835,711	835,711	711,597	124,114
Justice of the Peace 7-2	726,250	726,250	595,941	130,309
Justice of the Peace 8-1	856,176	853,186	810,878	42,308
Justice of the Peace 8-2	606,219	606,219	482,361	123,858
County Attorney	19,875,177	21,523,097	19,410,754	2,112,343
County Clerk	12,606,020	12,606,020	11,710,263	895,757
Elections Cost	7,793,829	19,204,807	18,712,100	492,707
County Treasurer	802,425	802,425	723,530	78,895
Elections Administration	9,452,934	9,397,250	8,771,809	625,441

See notes to required supplementary information.

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

For The Period Ended September 30, 2022

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
Tax Assessor-Collector	19,407,398	19,407,398	19,267,560	139,838
County Sheriff	158,379,998	161,837,047	160,633,711	1,203,336
Dentention	155,813,351	165,192,031	163,535,851	1,656,180
Dentention Medical	52,655,461	61,478,843	57,320,778	4,158,065
District Attorney	62,741,420	65,145,225	64,367,952	777,273
District Clerk	25,803,776	26,093,870	24,946,877	1,146,993
Public Defender Pilot Program	19,858,259	19,858,259	18,769,383	1,088,876
Community Supervision and Correction	2,018,675	2,018,675	2,017,147	1,528
Pretrial Services	15,893,297	15,893,297	13,327,784	2,565,513
County Auditor	16,528,300	16,528,300	15,690,402	837,898
Purchasing Agent	6,336,245	6,616,874	6,180,252	436,622
District Courts	19,850,484	19,850,484	19,542,163	308,321
Court Appointed Attorney	31,208,333	38,908,333	38,639,848	268,485
Texas Agrilife Extension Services	606,922	616,422	558,228	58,194
Juvenile Probation	54,073,495	53,986,456	49,558,573	4,427,883
Sheriff's Civil Service	187,014	187,014	154,929	32,085
Protective Services- Children and Adults	16,983,330	17,432,007	16,963,526	468,481
Children's Assessment Center	5,587,109	6,487,938	6,132,436	355,502
1st Court of Appeals	23,927	23,927	-	23,927
14th Court of Appeals	23,927	23,927	-	23,927
County Courts	12,624,271	12,874,271	12,512,909	361,362
Court Appointed Attorney	3,266,667	6,255,667	5,992,799	262,868
MAC - Managed Assigned Counsel	867,010	867,010	820,358	46,652
Probate Court 1	1,084,197	1,090,011	1,080,743	9,268
Probate Court 2	1,016,284	1,016,284	957,975	58,309
Probate Court 3	3,495,091	3,495,091	3,341,228	153,863
Probate Court 4	1,042,028	1,036,214	1,024,838	11,376
Total General Fund By Department	1,780,665,984	1,789,678,764	1,384,356,213	405,322,551
Hurricane Harvey Recovery	6,750,347	6,750,347	6,652,400	97,947
Covid Response & Recovery	68,899,643	67,447,351	59,719,090	7,728,261
Public Improvement Contingency	49,371,649	187,511,106	20,347,662	167,163,444
Infrastructure	183,303,218	181,717,763	21,758,295	159,959,468
MOBILITY FUND DEPARTMENTS				
PID Shared Operations	35,537,449	40,764,770	12,479,263	28,285,507
Harris County Commissioner Pct. 1	120,144,874	128,805,723	31,700,409	97,105,314
Harris County Commissioner Pct. 2	74,596,339	93,126,295	16,130,179	76,996,116
Harris County Commissioner Pct. 3	71,876,451	64,688,177	13,412,206	51,275,971
Harris County Commissioner Pct. 4	87,527,833	93,187,113	24,160,085	69,027,028
General Administration	58,940,784	29,813,692	-	29,813,692
Public Infrastructure - Architecture & Engineering	27,481,385	28,030,031	16,774,989	11,255,042
Universal Services	897,280	-	-	-
County Attorney	-	317,516	182,684	134,832
Total Mobility Fund By Department	477,002,395	478,733,317	114,839,815	363,893,502

See notes to required supplementary information.

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

For The Period Ended September 30, 2022

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEBT SERVICE				
4603 HC/FC Agreement 2014A CP Refunding	3,142,325	3,142,325	2,914,500	227,825
4604 HC/FC Agreement 2014B CP Refunding	1,242,033	1,242,033	996,668	245,365
4605 HC/FC Agreement 2015B Refunding	1,492,402	1,492,402	1,398,000	94,402
4606 HC/FC Agreement 2017A	8,019,225	8,019,225	7,678,000	341,225
4608 HC /FC Agreement 2019A D1	33,900,332	33,900,332	33,900,332	-
4702 Commercial Paper Series B	240,733	240,733	102,279	138,454
4701 Commercial Paper Series A-1	30,657,975	30,657,975	29,815,502	842,473
4704 Commercial Paper Series D	57,345,314	101,335,303	99,624,912	1,710,391
4706 Commercial Paper Series D2	906,790	29,406,790	28,814,042	592,748
4707 Commercial Paper Series D3	723,015	50,723,015	50,434,582	288,433
4708 Commercial Paper Series J1 2020	4,480,695	4,480,695	195,281	4,285,414
4921 Revenue Refunding Series 2002	213,390	213,390	-	213,390
4902 Tax & Subordinate Lien Refunding Series 2012A	31,817,770	149,719,531	137,021,467	12,698,064
4903 HC Tax & Sub Lien Hot 2019B	6,567,405	6,567,405	3,280,000	3,287,405
4810 Permanent Improvement Refunding Series 2012A	4,649,801	60,411,211	60,165,581	245,630
4811 Permanent Improvement Refunding Series 2012B	6,606,755	6,606,755	6,265,023	341,732
4812 Tax Permanent Improvement Ref. Series 2015A	19,012,796	21,212,012	21,168,433	43,579
4813 Permanent Improvement Refunding Series 2015B	4,980,817	4,980,817	2,955,000	2,025,817
4814 Permanent Improvement Ref. Series 2017A	17,664,525	17,664,525	17,431,450	233,075
4815 Permanent Improvement Ref. Series 2019A	512,008	512,008	390,500	121,508
4817 Permanent Improvement Ref. Series 2020A	29,512,131	29,512,131	22,878,700	6,633,431
4818 Permanent Improvement Ref. Series 2021	2,500,904	2,500,904	2,155,526	345,378
4819 Permanent Improvement Ref. Series 2021A	3,310,533	3,310,533	3,310,533	-
4820 Permanent Improvement Series 2022A	-	96,204,452	96,204,452	-
4851 Permanent Improvement Ref. Series 2021 - COI	5,620	5,620	3,120	2,500
4852 Permanent Improvement Ref. Series 2021A - COI	355,495	355,495	312,377	43,118
4853 Permanent Improvement Series 2022A - COI	-	180,409	57,769	122,640
4905 HC Tax & Sublien Hot Bnd 2022A	-	118,445,582	118,445,582	-
4906 HC Tax & Sublien Hot Bnd 2022A COI	-	217,495	70,968	146,527
Total General Fund Debt Service	269,860,789	783,261,103	747,990,579	35,270,524
TOTAL GENERAL FUND	$ 2,835,854,025	$ 3,494,782,235	$ 2,355,481,370	$ 1,139,300,865

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2022

1. RECONCILIATION OF ACCOUNTING BASIS

A reconciliation of revenues and expenditures on a cash basis ("budgetary basis") compared to modified accrual (GAAP) for the general fund is as follows:

	GENERAL FUND
REVENUES AND OTHER SOURCES	
Cash (budgetary) basis	$ 3,523,337,740
Beginning Cash and Investments	(2,392,310,907)
Accrued in FYE 2/28/2022, received in period endied 9/30/2022	(110,674,406)
Entry to eliminate transfers between funds	(391,096,192)
Accrued in period ended 9/30/2022, to be received in 2023	162,031,642
Revenues and other sources on modified accrual (GAAP) basis	791,287,877
EXPENDITURES AND OTHER USES	
Cash (budgetary) basis	2,355,481,370
Incurred during FYE 2/28/2022, paid in period ended 9/30/2022	(643,691,761)
Entry to eliminate transfers between funds	(391,096,192)
Incurred during period ended 9/30/2022, payable in 2023	714,217,154
Internal special revenue funds	781,972
Expenditures and other uses on modified accrual (GAAP) basis	2,035,692,543
Changes in Fund Balances	$ (1,244,404,666)

2. ANALYSIS OF SIGNIFICANT EXPENDITURE VARIANCES

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

Four of the departments with significant variances are the Commissioner Precincts, which have a combined positive variance of $123,687,673. The precinct budgets include capital projects for roads and bridges. These budgets are set at the beginning of the projects and roll year-to-year. Therefore, these variances are anticipated. The other department is General Administration which has a positive variance of $216,442,967 which is primarily the reserve.

The Public Improvement Contingency Sub-fund has a positive variance of $167,163,444. These funds are set aside by Commissioners Court to assist with capital projects and for use in unforeseen emergency events.

The Mobility Sub-fund has a positive variance of $363,758,670. These funds are set aside to increase general mobility within the County.

The combined positive variance for all the general fund debt service accounts was $35,270,524. The County's practice is to have a full year's worth of payments available for tax supported debt. As the tax year and budget year are not the same, there will always be a variance between the budget and actual expenditures. In these cases, the debt payment amounts are high enough to cause a significant variance, and will continue to cause significant variances in the future.

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

	Year Ended February 28 2019	Year Ended February 29 2020	Year Ended February 28 2021	Year Ended February 28 2022	Period Ended September 30 2022
TOTAL OPEB LIABILITY					
Service cost	$ 79,163	$ 81,736	$ 251,727	$ 209,843	$ 118,068
Interest cost	70,460	74,038	69,221	91,781	53,688
Difference between expected and actual experience	-	-	85,687	-	165,734
Effect of assumption changes or inputs	-	733,663	397,977	215,789	(1,461,485)
Benefit payments	(55,161)	(58,457)	(62,087)	(67,710)	(40,931)
Net change in total OPEB liability	94,462	830,980	742,525	449,703	(1,164,926)
Total OPEB liability, beginning	1,827,096	1,921,558	2,752,538	3,495,063	3,944,766
Total OPEB liability, ending (a)	$ 1,921,558	$ 2,752,538	$ 3,495,063	$ 3,944,766	$ 2,779,840
FIDUCIARY NET POSITION					
Employer contributions	$ 55,161	$ 58,457	$ 62,087	$ 67,710	$ 40,931
Benefit payments	(55,161)	(58,457)	(62,087)	(67,710)	(40,931)
Net change in fiduciary net position	-	-	-	-	-
Net OPEB liability, ending = (a) - (b)	$ 1,921,558	$ 2,752,538	$ 3,495,063	$ 3,944,766	$ 2,779,840
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	$ 1,042,892	$ 1,112,112	$ 1,164,474	$ 1,195,886	$ 1,214,294
Net OPEB liability as a % of covered payroll	184.25%	247.51%	300.14%	329.86%	228.93%

Notes to schedule

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

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

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

	Year Ended December 31						
	2015	2016	2017	2018	2019	2020	2021
TOTAL PENSION LIABILITY							
Service cost	$ 131,567	$ 149,334	$ 146,841	$ 148,122	$ 151,462	$ 163,444	$ 199,137
Interest on total pension liability	411,525	437,989	468,982	496,916	524,085	553,564	583,779
Effect of plan changes	(28,883)	-	-	-	-	-	-
Effect of assumption changes or inputs	51,149	-	10,614	-	-	440,283	4,607
Effect of economic/demographic (gains) or losses	(7,458)	(27,493)	(6,851)	(8,053)	11,006	19,026	(8,769)
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)	(347,776)	(382,113)
Net change in total pension liability	337,800	321,610	355,645	348,433	364,644	$ 828,541	$ 396,641
Total pension liability, beginning	5,113,052	5,450,852	5,772,462	6,128,107	6,476,540	6,841,184	7,669,725
Total pension liability, ending (a)	$ 5,450,852	$ 5,772,462	$ 6,128,107	$ 6,476,540	$ 6,841,184	$ 7,669,725	$ 8,066,366
FIDUCIARY NET POSITION							
Employer contributions	$ 132,346	$ 136,391	$ 142,896	$ 149,663	$ 167,499	$ 182,824	$ 189,304
Member contributions	66,878	68,371	71,869	72,343	77,914	85,012	88,129
Investment income net of investment expenses	(30,646)	349,499	733,526	(107,132)	908,411	656,508	1,509,284
Benefit payments/refunds of contributions	(220,100)	(238,220)	(263,941)	(288,552)	(321,909)	(347,776)	(382,113)
Administrative expenses	(3,419)	(3,799)	(3,797)	(4,443)	(4,844)	(5,068)	(4,504)
Other	363	(7,961)	(605)	(1,386)	(1,750)	(1,963)	(1,049)
Net change in fiduciary net position	(54,578)	304,281	679,948	(179,507)	825,321	569,537	1,399,051
Fiduciary net position, beginning	4,781,059	4,726,481	5,030,762	5,710,710	5,531,203	6,356,524	6,926,061
Fiduciary net position, ending (b)	$ 4,726,481	$ 5,030,762	$ 5,710,710	$ 5,531,203	$ 6,356,524	$ 6,926,061	$ 8,325,112
Net pension liability/(asset), ending = (a) - (b)	$ 724,371	$ 741,700	$ 417,397	$ 945,337	$ 484,660	$ 743,664	$ (258,746)
Fiduciary net position as a % of total pension liability	86.71%	87.15%	93.19%	85.40%	92.92%	90.30%	103.21%
Pension covered payroll	$ 953,501	$ 974,217	$ 1,020,708	$ 1,032,142	$ 1,110,437	$ 1,211,895	$ 1,255,581
Net pension liability/(asset) as a % of covered payroll	75.97%	76.13%	40.89%	91.59%	43.65%	61.36%	-20.61%

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

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

	Year Ended December 31					
	2016	2017	2018	2019	2020	2021
TOTAL PENSION LIABILITY						
Service cost	$ 98,958	$ 97,369	$ 117,305	$ 92,036	$ 123,204	$ 136,535
Interest on total pension liability	3,930	16,228	28,020	30,784	45,967	60,992
Effect of economic/demographic (gains) or losses	85	31,424	(64,351)	35,903	7,638	(69,749)
Effect of assumption changes or inputs	-	234	-	-	47,325	(1,089)
Benefit payments/refunds of contributions	-	-	(39,988)	(2,444)	(2,444)	(2,444)
Net change in total pension liability	102,973	145,255	40,986	156,279	221,690	124,245
Total pension liability, beginning	-	102,973	248,228	289,214	445,493	667,183
Total pension liability, ending (a)	$ 102,973	$ 248,228	$ 289,214	$ 445,493	$ 667,183	$ 791,428
FIDUCIARY NET POSITION						
Employer contributions	$ 76,701	$ 106,623	$ 86,440	$ 85,053	$ 87,659	$ 86,840
Member contributions	35,370	49,167	46,438	49,408	52,178	51,691
Investment income net of investment expenses	-	19,112	(4,376)	62,527	60,227	187,287
Benefit payments/refunds of contributions	-	-	(39,988)	(2,444)	(2,444)	(2,444)
Administrative expenses	-	(193)	(306)	(442)	(572)	(600)
Other	1,697	2,086	2,797	4,601	4,123	4,072
Net change in fiduciary net position	113,768	176,795	91,005	198,703	201,171	326,846
Fiduciary net position, beginning	-	113,768	290,563	381,568	580,271	781,442
Fiduciary net position, ending (b)	113,768	290,563	381,568	580,271	781,442	1,108,288
Net pension liability, ending = (a) - (b)	$ (10,795)	$ (42,335)	$ (92,354)	$ (134,778)	$ (114,259)	$ (316,860)
Fiduciary net position as a % of total pension liability	110.48%	117.06%	131.93%	130.25%	117.13%	140.04%
Pension covered payroll	$ 505,279	$ 702,390	$ 663,396	$ 705,835	$ 745,399	$ 738,436
Net pension liability as a % of covered payroll	-2.14%	-6.03%	-13.92%	-19.09%	-15.33%	-42.91%

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

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

HARRIS COUNTY

Year Ended February 28/29	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
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%
2021	180,814,784	185,368,474	(4,553,690)	1,227,928,655	15.1%
2022 (3)	189,304,375	190,456,110	(1,151,735)	1,261,574,010	15.1%

HARRIS COUNTY SPORTS & CONVENTION CORPORATION

Year Ended February 28/29	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2017	$ 76,701	$ 77,846	$ (1,145)	$ 512,815	15.2%
2018	106,623	107,415	(792)	723,606	14.8%
2019	86,440	85,011	1,429	660,718	12.9%
2020	85,053	86,350	(1,297)	719,581	12.0%
2021	87,659	87,703	(44)	745,774	11.8%
2022 (3)	86,840	84,774	2,066	720,865	11.8%

(1) TCDRS calculated actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.
(2) Payroll is calculated based on contributions as reported to TCDRS.
(3) As of September 30, 2022 there was no new actuarial valuation for TCDRS. The actual employer contribution for the 7 month period ended September 30, 2022 was $121,477,256 for the County and $47,936 for HCSCC.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	HC: 18.5 years (based on contribution rate calculated in 12/31/2021 valuation)
	HCSCC: 0.0 years (based on contribution rate calculated in 12/31/2021 valuation)

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

Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: HC - Employer contributions reflect that the member contribution rate was increased to 7%. 2015: HCSCC - No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: 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.

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APPENDIX B-1

FORMS OF OPINIONS OF CO-BOND COUNSEL

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BRACEWELL LLP
711 LOUISIANA STREET, SUITE 2300
HOUSTON, TEXAS 77002

WEST & ASSOCIATES, L.L.P.
440 LOUISIANA STREET, SUITE 1880
HOUSTON, TEXAS 77002

[CLOSING DATE]

We have acted as co-bond counsel to Harris County, Texas (the "County') in connection with the issuance of the bonds described as follows:

> HARRIS COUNTY, TEXAS PERMANENT IMPROVEMENT REFUNDING BONDS, SERIES 2023A in the aggregate principal amount of $__________ (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set forth in the Bonds and in the order, dated July 18, 2023, of the Commissioners Court of the County authorizing the issuance of the Bonds and the Officer's Pricing Certificate executed on __________, 2023 by an authorized representative of the County in connection therewith (collectively, the "Order").

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data, or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the County or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the County's Official Statement, dated __________, 2023, prepared for use in connection with the offer and sale of the Bonds has been limited as described therein. Capitalized terms used herein but not otherwise defined shall have the meanings assigned in the Order.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and refunding and defeasance of the Refunded Notes with the proceeds of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the County; an escrow agreement (the "Escrow Agreement") between the County and U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent"); a report (the "Report") of [_________], verifying the sufficiency of the deposit of funds with the Escrow Agent for the Refunded Notes; customary certificates of officers, agents and representatives of the County and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and firm banking and financial arrangements for the discharge and final payment of the Refunded Notes. We have also examined executed Initial Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the County and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the County and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order.

Based on such examination and in reliance on such representations, certifications and assumptions, it is our opinion that:

1. The transcript of certified proceedings evidences the complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the County.

2. A continuing ad valorem tax upon all taxable property within the County necessary to pay the principal of and interest on the Bonds has been levied and pledged irrevocably for such purposes, within the limits prescribed by law.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Notes pursuant to the Order, the Escrow Agreement and the Report, and therefore the Refunded Notes are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

BRACEWELL LLP
711 LOUISIANA STREET, SUITE 2300
HOUSTON, TEXAS 77002

WEST & ASSOCIATES, L.L.P.
440 LOUISIANA STREET, SUITE 1880
HOUSTON, TEXAS 77002

[CLOSING DATE]

We have acted as co-bond counsel to Harris County, Texas (the "County') in connection with the issuance of the bonds described as follows:

> HARRIS COUNTY, TEXAS UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2023A in the aggregate principal amount of $__________ (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set forth in the Bonds and in the order, dated July 18, 2023, of the Commissioners Court of the County authorizing the issuance of the Bonds and the Officer's Pricing Certificate executed on __________, 2023 by an authorized representative of the County in connection therewith (collectively, the "Order").

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data, or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the County or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the County's Official Statement, dated __________, 2023, prepared for use in connection with the offer and sale of the Bonds has been limited as described therein. Capitalized terms used herein but not otherwise defined shall have the meanings assigned in the Order.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and refunding and defeasance of the Refunded Notes with the proceeds of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the County; an escrow agreement (the "Escrow Agreement") between the County and U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent"); a report (the "Report") of [_________], verifying the sufficiency of the deposit of funds with the Escrow Agent for the Refunded Notes; customary certificates of officers, agents and representatives of the County and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and firm banking and financial arrangements for the discharge and final payment of the Refunded Notes. We have also examined executed Initial Bond No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the County and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the County and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order.

Based on such examination and in reliance on such representations, certifications and assumptions, it is our opinion that:

1. The transcript of certified proceedings evidences the complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the County.

2. A continuing ad valorem tax upon all taxable property within the County necessary to pay the principal of and interest on the Bonds has been levied and pledged irrevocably for such purposes without legal limit as to rate or amount.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Notes pursuant to the Order, the Escrow Agreement and the Report, and therefore the Refunded Notes are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

APPENDIX B-2

FORMS OF OPINIONS OF TAX COUNSEL

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[CLOSING DATE]

WE HAVE ACTED as Special Tax Counsel for Harris County, Texas (the "County") in connection with the issuance of the bonds described as follows:

> HARRIS COUNTY, TEXAS UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2023A, in the original aggregate principal amount of $__________ (the "Bonds").
>
> The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds and in the order, dated July 18, 2023, of the Commissioners Court of the County, acting as the governing body of the District, authorizing the issuance of the Bonds and the Officer's Pricing Certificate executed on __________, 2023, by an authorized representative of the County in connection therewith (collectively, the "Order"). Capitalized terms used herein but not otherwise defined shall have the meanings assigned in the Order.

We have acted as Special Tax Counsel for the sole purpose of rendering an opinion with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the County and other public officials. We have assumed no responsibility with respect to the financial condition of the County or the reporting or disclosure thereof in connection with the sale of the Bonds. We have acted only as Special Tax Counsel. We understand that West & Associates, L.L.P., with whom our firm serves as co-bond counsel with respect to the Bonds, is not responsible for our opinion as Special Tax Counsel. The two firms are not part of a partnership and each firm is an independent entity.

In our capacity as Special Tax Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the County; customary certificates of officers, agents and representatives of the County; and other public officials and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein.

In providing the opinions set forth herein, we have relied on representations and certifications of the County and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the County and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds. We have further relied upon legal opinions of the Attorney General of the State of Texas and of West & Associates, L.L.P. and our firm of even date herewith regarding the legality and validity of the Bonds under the Constitution and laws of the State of Texas.

Based on such examination and in reliance on such representations, certifications and assumptions, it is our opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations for tax years beginning after December 31, 2022.

Except as stated above, we express no opinion as to the amount or timing of interest on the Bonds or to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the United States of America. Further, in the event that the representations of the County or other parties upon which we have relied are determined to be inaccurate or incomplete or the County fails to comply with the covenants of the Order, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

Very truly yours,

[CLOSING DATE]

WE HAVE ACTED as Special Tax Counsel for Harris County, Texas (the "County") in connection with the issuance of the bonds described as follows:

> HARRIS COUNTY, TEXAS UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2023A, in the original aggregate principal amount of $__________ (the "Bonds").
>
> The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds and in the order, dated July 18, 2023, of the Commissioners Court of the County, acting as the governing body of the District, authorizing the issuance of the Bonds and the Officer's Pricing Certificate executed on __________, 2023, by an authorized representative of the County in connection therewith (collectively, the "Order"). Capitalized terms used herein but not otherwise defined shall have the meanings assigned in the Order.

We have acted as Special Tax Counsel for the sole purpose of rendering an opinion with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied upon certificates executed by officers, agents and representatives of the County and other public officials. We have assumed no responsibility with respect to the financial condition of the County or the reporting or disclosure thereof in connection with the sale of the Bonds. We have acted only as Special Tax Counsel. We understand that West & Associates, L.L.P., with whom our firm serves as co-bond counsel with respect to the Bonds, is not responsible for our opinion as Special Tax Counsel. The two firms are not part of a partnership and each firm is an independent entity.

In our capacity as Special Tax Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the County; customary certificates of officers, agents and representatives of the County; and other public officials and other certified showings relating to the authorization and issuance of the Bonds. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein.

In providing the opinions set forth herein, we have relied on representations and certifications of the County and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the County and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds. We have further relied upon legal opinions of the Attorney General of the State of Texas and of West & Associates, L.L.P. and our firm of even date herewith regarding the legality and validity of the Bonds under the Constitution and laws of the State of Texas.

Based on such examination and in reliance on such representations, certifications and assumptions, it is our opinion that interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations for tax years beginning after December 31, 2022.

Except as stated above, we express no opinion as to the amount or timing of interest on the Bonds or to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the United States of America. Further, in the event that the representations of the County or other parties upon which we have relied are determined to be inaccurate or incomplete or the County fails to comply with the covenants of the Order, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

Very truly yours,

APPENDIX C

CONTINUING DISCLOSURE SCHEDULES

COUNTY-WIDE AD VALOREM TAXES – Table 1 – County-Wide Tax Rates

COUNTY-WIDE AD VALOREM TAXES – Table 2 – County Assessed Values and Tax Rates

COUNTY-WIDE AD VALOREM TAXES – Table 3 – County Tax Levies, Collections and Delinquencies

COUNTY-WIDE AD VALOREM TAXES – Table 4 – Principal Taxpayers

COUNTY AD VALOREM TAX DEBT – Table 5 – Tax Debt Outstanding

COUNTY AD VALOREM TAX DEBT – Table 6 – Estimated County-Wide and Overlapping Ad Valorem Tax Debt

COUNTY AD VALOREM TAX DEBT – Table 7 – County-Wide Ad Valorem Tax Debt Service Requirements

COUNTY AD VALOREM TAX DEBT – Table 8 – Debt Service Requirements for the County's Limited Tax Bonds

COUNTY AD VALOREM TAX DEBT – Table 9 – Debt Service Requirements for the County's Unlimited Tax Bonds

COUNTY AD VALOREM TAX DEBT – Table 10 – County-Wide Authorized but Unissued Bonds

INVESTMENTS – Table 11 – Current Investments

THE COUNTY – Table 12 – County Employees

BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Table 13 – Operating Funds Budget for the County's Fiscal Year 2022-2023

BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Table 14 – General Fund Balances for Fiscal Years 2018 through 2022

BUDGETING PROCEDURES AND OPERATING FUNDS BUDGET – Table 15 – County Capital Project Funds

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APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriters and the County believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement, it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system and (ii) except as described above, notices that are to be given to registered owners under the applicable Orders will be given only to DTC.

HARRIS COUNTY, TEXAS • PERMANENT IMPROVEMENT REFUNDING BONDS, SERIES 2023A AND UNLIMITED TAX ROAD REFUNDING BONDS, SERIES 2023A

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