HARRIS COUNTY SPORTS & CONVENTION CORPORATION

(A Component Unit of Harris County, Texas)

Basic Financial Statements as of and for the Year Ended

February 28, 2021

And Independent Auditor's Report

HARRIS COUNTY SPORTS & CONVENTION CORPORATION

(A Component Unit of Harris County, Texas)

Table of Contents

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. These were given to management in a separate correspondence.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated July 14, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Corporation's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Melton & Melton, LLP

Melton & Melton, LLP
Houston, Texas

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Melton & Melton, LLP

Houston, Texas
July 14, 2021

Management's Discussion and Analysis (Unaudited)

Introduction of the Annual Report

This annual report consists of three parts: Management's Discussion and Analysis (MD&A), Basic Financial Statements, and Notes to the Basic Financial Statements.

The Harris County Sports & Convention Corporation ("Corporation" or "HCSCC") is a component unit of Harris County, Texas (the "County"), and is included as a blended unit in the County's basic financial statements. This analysis presents information about the Corporation and the operations and activities of the Corporation only, not the entire County.

Management's Discussion and Analysis

The MD&A section of the Corporation's annual report presents an overview of the Corporation's financial performance during the year ended February 28, 2021. It provides an assessment of how the Corporation's position has improved and identifies the factors that, in management's review, significantly affected the Corporation's overall financial position.

The Basic Financial Statements include:

- The Statement of Net Position and Balance Sheet, which provides the information about the nature and amounts of investments in resources (assets) and the obligations to the Corporation's creditors (liabilities).
- The Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance, which account for the current year revenues and expenditures. It also measures the success of the Corporation's operations over the past year and can be used to determine how the Corporation has funded its costs.

The Notes to the Basic Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Corporation's accounting methods and policies.
- Details of contractual obligations, future commitments, and contingencies of the Corporation.
- Any other events or developing situations that could materially affect the Corporation's financial position.

The Corporation's Business

The Corporation, created in January 1999 by the Commissioners Court of Harris County, Texas as a public nonprofit corporation for the purpose of managing, operating, maintaining, and developing the sports and entertainment complex located on the property owned by the County, currently known as NRG Park. In addition to generating revenue from park activities, the redevelopment of NRG Park generates sales and hotel tax revenues and provides an economic stimulus to the area surrounding NRG Park.

The Harris County Sports & Convention Corporation, in an effort to provide transparent and equitable access to contracting opportunities at NRG Park, adopted a Historically Underutilized Business policy. This policy is intended to open contracting opportunities to qualified contractors and vendors to everyone on an equal level.

Through the leadership of the HCSCC Board of Directors, HCSCC and NRG Park are leading the effort to combat human trafficking in all forms with the designation of NRG Park as a No Trafficking Zone. This designation is the first of its kind anywhere in the Country.

NRG Stadium (formerly Reliant Stadium) – A 1.9 million square foot facility is the home of the National Football League ("NFL") Houston Texans, and the Houston Livestock Show and Rodeo ("HLS&R"). NRG Stadium hosted the 2004 and 2017 Super Bowl NFL Championship football games, the 2010 and 2015 National Collegiate Athletic Association ("NCAA") Men's Basketball Regionals and the 2011 and 2016 NCAA Men's Basketball Finals. Due to COVID 19, NRG Stadium hosted only eight days of the Houston Livestock Show & Rodeo before County and City of Houston ("City") officials closed the grounds. The Houston Texans hosted eight home games during the 2020 NFL Season. Fans were limited and social distancing and face masks were required. Later in the fiscal year, NRG Stadium hosted several Monster Jam and Supercross events.

On the horizon is the NCAA Men's Basketball Final 4 in 2023, NCAA College Football playoff game in 2024, and possibly an International Federation of Association Football ("FIFA") Soccer World Cup host in 2026.

NRG Center – A 1.37 million square foot exposition and meeting room facility funded by Harris County. NRG Center remained dark much of 2020 as a result of the worldwide pandemic. The Center helped serve the Harris County community by hosting several Gulf Coast Regional Blood Drives. In January 2021, NRG Center hosted a No Trafficking Zone Panel Discussion and Press Conference attended by several officials from all levels for County, City, State, and Federal government.

NRG Arena – A facility with exhibit halls, meeting rooms, and a club room, this facility includes 350,000 square feet of meeting space. Included in the Arena is an 8,000 seat general session meeting area and a 2,000 seat general session meeting area in the Arena Pavilion. Events at NRG Arena took on a different look in 2020. Harris County utilized NRG Arena for several events during the year including Voter and Ballot Operations for the 2020 Elections, Jury Selection Process, and a stand-by field hospital that could have been used to house COVID 19 patients. The Southeast Texas Regional Advisory Council (SETRAC) also used the Arena to provide COVID 19 decontamination services.

NRG Astrodome – This 131,000 square foot facility is currently not available for public use. The future of the Astrodome is currently being evaluated by the Harris County Commissioners Court. Plans regarding the Astrodome must be approved by the Texas Historic Commission prior to implementation.

NRG Park – NRG Park is a 350-acre sports and entertainment complex with over 26,000 parking spaces available to event patrons. In addition to the four facilities discussed above, NRG Park has outdoor spacing that is available for festivals and concerts.

NRG Park and COVID 19 – In 2020, in response to COVID 19, NRG Park became a temporary "home" for many community outreach events. These included multiple food distribution programs, several drive-through COVID 19 testing sites, and drive-through graduation programs. Early in the pandemic, with still a lot of uncertainty, a Non-Congregate Medical Shelter was set up the in Orange Lot of NRG Park. This hospital was designed to handle overflow patients from the City's hospitals suffering from COVID. Fortunately, utilization of the facility was not necessary. A smaller, stand by, hospital was then set up in NRG Arena. NRG Park partnered with Memorial Hermann Hospital to distribute COVID 19 vaccinations. More than 50,000 doses were distributed to residents over a four-week period. Following the success of the Memorial Hermann drive, NRG Park was selected as a FEMA Community Vaccination Center. Residents of Harris County began receiving doses of the vaccine in February 2021 with plans to continue into the new fiscal year as necessary to get as many people vaccinated as possible.

NRG Park was a leading member of the Houston Venue and Events Task Force created to assist Houston's publicly held franchises, stadiums, and convention centers with the various challenges encountered as a result of COVID 19. The group worked on establishing basic health and safety standards to use as a guideline towards reopening for public events. The task force along with other industry partners formed Houston Clean, a campaign to help guests identify safety measures necessary to protect patrons and associates.

An NRG Park Reopening Plan was developed by ASM Global-NRG Park and presented to Harris County and the City of Houston. The Plan, a comprehensive guide to keeping guests and staff safe when NRG Park reopens, closely followed guidance by Federal, State, and Local Government agencies and the ASM Global VenueShield Program.

Throughout the COVID 19 pandemic, NRG Park maintained a "Commitment to Community" that provided necessary support to the residents of the greater Harris County-Houston area in a time of need. NRG Park is looking forward to returning to normal in the upcoming year, but will always be available to serve, if called upon.

Financial Analysis

The following sections will discuss the significant changes in the Corporation's financial position for the fiscal year ended February 28, 2021. Additionally, the report provides economic factors and industry trends that contribute to the Corporation's operations. For purposes of the MD&A, summaries of the basic financial statements and the various exhibits presented are in conformity with the Corporation's basic financial statements in accordance with accounting principles generally accepted in the United States of America.

Highlights

The Corporation's net position decreased by $6,965,582, after restatement, during the fiscal year ended February 28, 2021. This is primarily a result of HCSCC contributing towards the Operations of NRG Park through ASM Global. ASM Global-NRG Park typically operates throughout the fiscal year from net event revenue received during the current fiscal year. Due to the COVID 19 Pandemic and the shutdown of NRG Park, net event revenue was not available. Per the Facility Management agreement, HCSCC shall provide to ASM Global all such sums as are needed to pay Operating Expenses which are not paid from Operating Revenues. In Fiscal Year 2021, HCSCC contributed $5,371,110 to ASM Global-NRG Park for this purpose. In addition, revenue decreased due to inactivity at NRG Park. Capital improvements funded either solely or partially by Aramark, the Houston Texans, and Houston Livestock Show & Rodeo were delayed, therefore reducing the amount of funding received from these parties. As the Park begins to re-open and activities resume, it is anticipated that these revenue sources will resume.

Exhibit 1
Government-Wide Condensed Statements of Net Position

	February 28, 2021	February 29, 2020 (restated)
Current Assets	$ 21,114,485	$ 30,280,494
Capital Assets - Net	1,030,170	1,191,618
Other Long-term Assets	5,566,443	5,712,152
Total Assets	27,711,098	37,184,264
Deferred Outflows of Resources	107,268	66,326
Current Liabilities	$ 5,996,693	$ 6,943,648
Long-term Liabilities	6,076,075	7,595,094
Total Liabilities	12,072,768	14,538,742
Deferred Inflows of Resources	50,097	50,765
Net Position	$ 15,695,501	$ 22,661,083

Exhibit II

Government-Wide Condensed Statements of Activities

	Year Ended February 28, 2021	Year Ended February 29, 2020
Revenues:		
Program Revenues	$ 5,798,570	$ 11,638,956
Investment Earnings	40,227	417,916
Miscellaneous Revenue	308,405	20,114
Total Revenues	6,147,202	12,076,986
Expenses:		
Park Operations	6,859,159	1,033,449
General Administration	1,563,191	1,630,433
Interest on Long-term Liabilities	456,577	548,917
Facilities & Grounds	4,233,857	6,743,179
Total Expenses	13,112,784	9,955,978
Increase (decrease) in Net Position	$ (6,965,582)	$ 2,121,008

Exhibit III

Governmental Fund Condensed Balance Sheet

	February 28, 2021	February 29, 2020
Assets - Unrestricted	$ 24,654,864	$ 33,418,328
Assets - Restricted	1,873,063	2,408,673
Total	$ 26,527,927	$ 35,827,001
Liabilities and Unearned Revenue	$ 4,230,470	$ 4,930,805
Fund Balance	22,297,457	30,896,196
Total	$ 26,527,927	$ 35,827,001

Exhibit IV
Governmental Fund Condensed Statements of Revenues, Expenditures, and Changes in Fund Balance

	Year Ended February 28, 2021	Year Ended February 29, 2020
Revenues	$ 1,669,954	$ 6,527,584
Expenditures	13,024,190	10,767,054
Deficiency of revenue under expenditures	(11,354,236)	(4,239,470)
Other Financing Sources	4,469,373	5,518,535
Other Financing Uses	(1,713,876)	(1,900,881)
Net Other Financing Sources	2,755,497	3,617,654
Excess (Deficiency) of revenue and other financing sources over (under) expenditures	(8,598,739)	(621,816)
Fund Balance - beginning of year	30,896,196	31,518,012
Fund Balance - end of year	$ 22,297,457	$ 30,896,196

Economic Factors

According to the United States Census Bureau, Harris County is the third most populous county in the Country. Houston, Texas ("Houston"), located in Harris County, is home to sports organizations from the NFL – Houston Texans, Major League Baseball ("MLB") – Houston Astros, National Basketball Association ("NBA") – Houston Rockets, Major League Soccer ("MLS") – Houston Dynamo, National Women's Soccer League ("NWSL") - Houston Dash, and a founding member of Major League Rugby ("MLR") – Houston Sabercats. Each of these organizations is located in its own facility that not only allows for highly competitive sporting events but also provides venues for concerts and other entertainment. These facilities have resulted in the revitalization of surrounding neighborhoods within the Houston area. In addition, attendance to these events helps boost local sales, hotel occupancy, mixed beverage, and automobile rental taxes that in turn benefit the Houston economy. There are two major tenants at NRG Park, the NFL Houston Texans and the Houston Livestock Show & Rodeo. The Houston Texans rank tenth overall in team value of the 32 teams in the NFL according to "*Forbes Magazine*." The 2020 team value is estimated as $3.3 billion. The Houston Livestock Show & Rodeo, a Houston favorite, supports youth, education, and agriculture practices. Due to COVID 19, in the interest of public health, the City of Houston and the Houston Health Department ordered the HLSR to close on March 11, 2020 – with only eight Rodeo/Concert events completed. Despite this, the Rodeo honored its 2020 commitment of $14.2 million in scholarships and $3.7 million in educational program grants. The 2021 Livestock Show & Rodeo was also cancelled due to the global pandemic. However, it continued its support of youth and education by hosting its Junior Livestock Show and Horse Show as private events in March 2021.

Houston has a versatile infrastructure that supports a growing economy. The Port of Houston is a key component in the development of Houston's center of international trade. It is proud to be the home of the nation's largest petrochemical manufacturing complex and achieved a Number 1 ranking in total waterborne tonnage. Three airports, George Bush Intercontinental Airport, Hobby Airport, and Ellington Airport serving over 50 million passengers on an annual basis, are vital to the success and growth in the greater Houston/Harris County area. The Houston Airports form one of North America's largest systems. Ellington Airport is home to Houston's Spaceport and supports activities of the U.S. Military and NASA. The Texas Medical Center, the largest medical complex in the world, is located in Houston. It is the home of the world's largest children's hospital, Texas Children's Hospital, and the world's largest cancer hospital, MD Anderson. It sees over 10 million patients per year and supports over 106,000 employees. In addition, the Texas Medical Center is the 8th largest business district in the United States.

NRG Park is a proud contributor to the Houston cultural offerings with varied offerings all year long. There is something for everyone.

Capital Assets

The Corporation has oversight responsibility for the capital assets at NRG Park under a lease agreement initially entered into in 1999 with the owner of NRG Park – Harris County. Ownership of the facilities that have been constructed and improved upon at NRG Park remains with the County and are accounted for by them. The Corporation, on behalf of the County, has retained title and control over most equipment purchased and used in the operations of the NRG Park complex. At the end of February 2021, the Corporation had Capital Assets of $1,030,170 (net of accumulated depreciation of $9,958,061). These capital assets primarily consist of groundskeeping equipment, food preparation and serving equipment, a marquee, and ground transportation vehicles.

Budgetary Controls

The Board of Directors ("Board") of the Corporation approves an operating budget on an annual basis. Once approved, the budget is formally transmitted to the Harris County Commissioners Court. Monthly, monitoring of the budget is performed and the results reported to the Board. This process helps ensure the Corporation's financial performance and provides assurance that operational goals are maintained.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Director of Finance & Administration, One NRG Park, Houston, TX, 77054.

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
(A Component Unit of Harris County, Texas)

STATEMENT OF NET POSITION
AS OF FEBRUARY 28, 2021

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 13,724,344
Restricted Cash & Cash Equivalents	1,873,063
Due from Harris County	1,041,757
Accrued Interest Receivable	38,742
Other Receivables	4,365,454
Prepaid Expenses	109,867
Pension Plan Asset	114,259
Notes Receivable	5,413,442
Equipment - Net of Accumulated Depreciation	1,030,170
TOTAL ASSETS	$ 27,711,098
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan Contributions After Measurement Date	$ 14,632
Changes in Experience	50,451
Changes in Assumptions	42,185
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 107,268
LIABILITIES & NET POSITION	
Accounts Payable	$ 1,366,635
Salaries Payable	59,707
Unearned Revenue - Other	2,804,128
Accrued Interest Payable	247,204
Long-Term Liabilities:	
Due in one year	
Video Board Loan	1,519,019
Due in more than one year	
Video Board Loan	6,076,075
Total Liabilities	$ 12,072,768
DEFERRED INFLOWS OF RESOURCES	
Difference between projected and actual earnings on pension plan assets	$ 9,878
Changes in Experience	40,219
TOTAL DEFERRED INFLOWS OF RESOURCES	50,097
NET POSITION	
Investment in Capital Assets	1,030,170
Restricted	1,873,063
Unrestricted	12,792,268
Net Position	$ 15,695,501

See notes to the financial statements

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
(A Component Unit of Harris County, Texas)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2021

	Expenses	Charges for Services	Capital Grants And Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Park Operations	$ 6,859,159	$ 1,233,439	$ -	$ (5,625,720)
General and Administration	1,563,191	-	-	(1,563,191)
Facilities & Grounds	4,233,857	95,758	4,469,373	331,274
Interest on Long-Term Liabilities	456,577	-	-	(456,577)
TOTAL	$ 13,112,784	$ 1,329,197	$ 4,469,373	$ (7,314,214)
GENERAL REVENUES				
Investment Earnings				$ 32,352
Miscellaneous				308,405
Interest on Note Receivable				7,875
TOTAL GENERAL REVENUES AND CONTRIBUTIONS				348,632
CHANGE IN NET POSITION				(6,965,582)
Net Position - Beginning of Year, as restated				22,661,083
Net Position - End of Year				$ 15,695,501

See notes to the financial statements

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
(A Component Unit of Harris County, Texas)

BALANCE SHEET - GOVERNMENTAL FUND
AS OF FEBRUARY 28, 2021

ASSETS	
Cash and Cash Equivalents	$ 13,724,344
Restricted Cash & Cash Equivalents	1,873,063
Due From Harris County	1,041,757
Other Receivables	4,365,454
Prepaid Expenses	109,867
Notes Receivable	5,413,442
TOTAL ASSETS	$ 26,527,927
LIABILITES AND FUND BALANCE	
Accounts Payable	$ 1,366,635
Salaries Payable	59,707
Unearned Revenue - Naming Rights	1,046,430
Total Liabilities	2,472,772
DEFERRED INFLOW OF RESOURCES	
Unavailable Revenue - NFL Escrow	1,757,698
FUND BALANCE	
Non-spendable	5,523,309
Restricted	1,873,063
Unassigned	14,901,085
Total Fund Balance	22,297,457
TOTAL LIABILITIES AND FUND BALANCE	$ 26,527,927

See notes to the financial statements

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
(A Component Unit of Harris County, Texas)

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF FEBRUARY 28, 2021

TOTAL FUND BALANCE FOR GOVERNMENTAL FUND	$ 22,297,457
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:	
Capital Activities used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of $10,988,231 Equipment - net of $9,958,061 accumulated depreciation	1,030,170
Pension Plan Asset	114,259
Long-term liabilities applicable to the Corporation 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 the 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 as of February 28, 2021 were:	
DEFERRED OUTFLOWS (INFLOWS):	
Deferred Outflow - Pension contributions after measurement date	14,632
Deferred Outflow - Difference in expected and actual pension experience	50,451
Deferred Outflow - Changes in Pension Assumptions	42,185
Deferred Inflow - Net difference between projected and actual earnings	(9,878)
Deferred Inflow - Difference in expected and actual pension experience	(40,219)
	57,171
NOTES PAYABLE	
Video Board Loan	(7,595,094)
Accrued Interest on Video Board Loan	(247,204)
Total notes payable and deferred outflows/inflows	(7,785,127)
Corporation assets not available to pay current expenditures:	
Accrued Interest on notes receivable	38,742
TOTAL NET POSITION FOR GOVERNMENTAL FUND	$ 15,695,501

See notes to the financial statements

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
(A Component Unit of Harris County, Texas)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED FEBRUARY 28, 2021

	General Fund
Revenues:	
Revenues from Operations - NRG Park	$ 282,767
Revenues from Operations - Naming Rights	1,046,430
Interest And Other	340,757
Total Revenues	1,669,954
Expenditures:	
Operations	6,859,160
General and Administrative	1,584,281
Facilities & Grounds	4,580,749
Total Expenditures	13,024,190
Other Financing Sources (Uses)	
Capital Contribution	4,469,373
Loan Payments	(1,713,876)
Total other net financing sources	2,755,497
Deficiency of Revenues and Other Financing under Expenditures	(8,598,739)
Fund Balance - Beginning of year	30,896,196
Fund Balance - End of year	$ 22,297,457

See notes to the financial statements

HARRIS COUNTY SPORTS & CONVENTION CORPORATION
(A Component Unit of Harris County, Texas)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2021

NET CHANGE IN FUND BALANCE - Governmental Fund	$ (8,598,739)
Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of $226,632 exceeded capital outlay of $65,184 in the current period.	(161,448)
Payments of principal on long-term liabilities	1,713,876
Some adjustments to expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an adjustment to expenditures in the governmental fund.	21,091
Under modified accrual basis of accounting used in the governmental fund, 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 liabilities is recognized as it accrues rather than when due under the modified accrual basis of accounting.	
Video Board Loan Accrued Interest - Prior Year	298,019
Video Board Loan Accrued Interest - Current Year	(247,204)
Radio System - Accrued Interest - Prior Year	948
	51,763
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,875
CHANGE IN NET POSITION	$ (6,965,582)

See notes to the financial statements

1. THE FINANCIAL REPORTING ENTITY

The Harris County Sports & Convention Corporation (the "Corporation"), a component unit of Harris County, Texas (the "County"), was created by the Commissioners Court of Harris County, Texas (the "Court") on January 26, 1999, as a local government corporation 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 the Astrodomain Complex which is currently known as the NRG Park ("Complex"). This includes developing and implementing a long term management plan for the facility, development of other sports and entertainment facilities and other site development and transportation issues related to the management and development of the Complex.

The Corporation is a public nonprofit corporation incorporated under the Texas Nonprofit Corporation Act. The Corporation is governed by a Board of Directors ("Board") consisting of five members, appointed and approved by the Court. The Corporation is a component unit of the County, under the Governmental Accounting Standards Board ("GASB") Statement No. 14, which defines the reporting entity. The basic financial statements of the Corporation are included as a blended component unit of the County's basic financial statements as the members of the Corporation's governing board are appointed by the Court.

The Corporation entered into a lease agreement with the County on April 7, 1999, in which the County transferred and assigned to the Corporation its rights, title and interest in a leasehold purchase agreement for the management and development of the Complex and letter agreement dated October 19, 1998, between the County, Harris County Houston Sports Authority ("Sports Authority"), the Houston Livestock Show & Rodeo, Inc. (the "HLS&R"), Houston NFL Holdings, L.P. (the "NFL Club"), the City of Houston and the Metropolitan Transit Authority of Harris County relating to the development and management of a 69,000-seat stadium facility for use by a National Football League ("NFL") team.

The Corporation has an agreement with ASM Global (formerly SMG), for facility management services at NRG Park. The current contract, approved by the Board on May 20, 2015, is currently in the first of two five year renewal options. This current term expires in 2025.

In October 2000, the Corporation entered into an agreement with Reliant Energy to transfer the naming rights for the Complex, known as Reliant Park. This 32 year agreement transferred the naming rights for the Complex and associated buildings to Reliant Energy. Including the football stadium, exposition center, Astrodome and Astroarena. Reliant Energy was subsequently acquired by NRG Energy and the naming rights transferred. In March 2014, NRG Energy and the Corporation's Board agreed to rename the Park and all facilities NRG Park.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to governmental units as promulgated by the GASB. A summary of the Corporation's more significant accounting policies follows.

Financial Statement Presentation, Measurement Focus and Basis of Presentation

Corporation-Wide Statements – Corporation-wide basic financial statements consist of the statement of net position and the statement of activities. The basic financial statements report information on all of the non-fiduciary activities of the Corporation. The Corporation reports operating activities only, which normally are supported by revenues from operations. The Corporation-wide basic 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.

The statement of activities demonstrates the degree to which the direct expenses of the Corporation's programs are offset by those programs' revenues. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the program and grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Program revenues are generated from events held at NRG Park.

Fund Accounting – The Corporation's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Corporation's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for those resources. The Corporation is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenditures.

Governmental funds are used to account for the Corporation's activities using the flow of current financial resources measurement focus. The Corporation uses the General Fund, a governmental fund type, to account for its operations. The Corporation is responsible for overseeing the development and improvement of capital facilities at the Complex, under the terms of the lease agreement with the County. Capital expenditures for the development and improvement of the Complex are financed either by the County or the Sports Authority. Ownership of all capital improvements remains with the County, under terms of the lease agreement. Expenditures for capital improvements made by the Corporation with County funds are recorded as capital expenditures by the County at the time the funds are transferred to the Corporation and the County includes those expenditures as additions to the County's fixed assets. Capital expenditures related to the construction of the NFL stadium were recorded and disbursed by the Sports Authority and were not reflected as expenditures by the Corporation.

Basis of Accounting – Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied, and determines when revenues and expenditures are recognized in the accounts and reported in the basic financial statements. The fund financial statements of the Corporation are presented on the modified accrual basis of accounting. Revenues are recognized when they become measureable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred. Those revenues susceptible to accrual prior to receipt are interest earnings on the Corporation's demand deposit account and the money market account and have a 60 day availability period.

Cash and Cash Equivalents – The Corporation considers all financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments – Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

Capital Assets – Capital expenditures are recorded in the Governmental Fund type. At the government-wide level, the Corporation capitalized equipment that is relatively permanent and of significant value. Relatively permanent is defined as a useful life of one year or longer. Significant value is defined as $5,000 or more. All costs related to the construction and improvement of capital assets at the Corporation are considered additions to the County's capital assets and are not accounted for as capital expenditures by the Corporation.

Capital assets, consisting of equipment, are depreciated in the government-wide financial statements using the straight line method over 3 – 25 years.

Land, buildings and improvements are considered assets of Harris County and are reported on their financial statements.

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 pension contributions after measurement date, differences in expected and actual pension experience, and changes in pension assumptions. The pension contributions after measurement date are deferred and recognized in the following fiscal year. The differences in expected and actual pension experiences are amortized over a closed six 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 differences in projected and actual earnings on pension assets and differences in expected and actual pension experience. The differences in projected and actual earnings on pension assets are amortized over a closed five year period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position and Fund Balances

Net Position Classifications – Net position in the government-wide financial statements are classified in three categories: (1) net position invested in capital assets, net of related debt, (2) restricted net position, and (3) unrestricted net position. Net position is shown as restricted, if constraints placed on its use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The Corporation's restricted net position is restricted for debt service and certain capital items.

Classification of Fund Balance – In the fund financial statements, the governmental fund reports fund balance in the following three categories: (1) non-spendable, (2) restricted, and (3) unassigned. Non-spendable amounts cannot be spent because they are not in spendable form. This includes prepaid amounts and long-term receivables. Fund balance should be reported as restricted when constraints placed on those resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The Corporation's resources held on behalf of a third party are restricted based on the terms of the documents governing those resources. The Corporation's lease agreement for the facilities owned by the County specifies funding requirements for the capital repair and replacement expenditures in those facilities. The funds to pay for those expenditures are restricted. Fund balance is classified as restricted based on the Corporation's lease agreement with the County.

The Corporation has funds set aside for capital repair costs. The Corporation considers restricted amounts to have been spent from restricted fund balance when an expenditure is incurred, and amount is available.

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.

3. PRIOR YEAR MISSTATEMENT

The Corporation has restated its previously issued 2020 financial statements to recognize unearned revenue received in a prior year. Net position at March 1, 2020 was increased by $2,650,967 as a result of the restatement. The effect on the Corporation's previously issued 2020 financial statements is summarized as follows:

Statement of Net Position:

	Previously Reported	Increase (Decrease)	Restated
Current Liabilities	$ 9,594,615	$ (2,650,967)	$ 6,943,648
Net Position:			
February 28, 2019	$ 17,889,108	$ 2,650,967	$ 20,540,075
Change in net position - 2020	2,121,008	-	2,121,008
February 29, 2020	$ 20,010,116	$ 2,650,967	$ 22,661,083

4. DEPOSITS AND SHORT-TERM 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") coverage is available for funds deposited at any one 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 Corporation will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial risk if they are not insured or collateralized. The Corporation's deposits are not exposed to custodial risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the Corporation or its agent in the Corporation's name, in accordance with the Public Funds Collateral Act.

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

The Corporation's investment policy is reviewed and approved annually by the Board of Directors. 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.

Corporation funds may be invested in the following investment instruments provided that such instruments meet the guidelines of the investment policy:

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

b. Other obligations, the principal and interest of which are unconditionally guaranteed, insured by 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.

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

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

e. 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 as stated on Item a of this section.

f. Fully collateralized repurchase agreements, provided the Corporation has on file, a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations as stated on Item a of this section.

g. Securities lending programs (if the loan is fully collateralized), including accrued income, by securities described in Texas Government 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 Public Funds Investment Act.

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

i. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of the Board to provide services to the Corporation, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The Corporation may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool.

j. Public Funds Investment Pools as authorized by the Public Funds Investment Act.

k. Interest bearing bank deposits as authorized by the Public Funds Investment Act.

Summary of Cash and Investments - The Corporation's cash and investments are stated at fair value. A summary of cash and investments on February 28, 2021, held by the Corporation is as follows:

	Governmental Funds
Cash and cash equivalents	$ 13,724,344
Restricted cash and cash equivalents	1,873,063
	$ 15,597,407

The Corporation reports unexpended cash received from the Sports Authority and the NFL Club for Stadium operations, maintenance and repairs, that is held in escrow, as restricted cash on the balance sheet and statement of net position. The disbursement of these funds is overseen by a committee consisting of representatives from the Corporation and the NFL Club.

The table below indicates the fair value and maturity value of the Corporation's investments as of February 28, 2021, summarized by security type. Also demonstrated are the percentage of total portfolio and the modified duration in years for each summarized security type.

Security		Fair Value	Percentage of Portfolio	Maturity Amount	Duration (Years)	Credit Rating S&P/Moody's
Money Market Mutual Funds						
Dreyfus Cash Management	$	14,060,651	88.24%	$ 14,060,651	N/A	AAAm/Aaa
Fidelity Institutional Class I Treasury		1,873,063	11.76%	1,873,063	N/A	AAAm/Aaa
Total Money Market Mutual Funds		15,933,714		15,933,714		
Total Investments	$	15,933,714	100.00%	$ 15,933,714		
Outstanding Items and time deposits		(336,307)				
Total Cash and Investments	$	15,597,407				

Fair Value Measurements

The Corporation categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of February 28, 2021, the Corporation has recurring fair value measurements for Money Market Mutual Funds totaling $15,933,714, all of which are valued using quoted prices for similar assets in active markets (Level 2).

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 Corporation 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 Corporation's investment policy, no more than 50% of the portfolio, excluding those investments held for future capital expenditures, debt service payments, bond fund reserve accounts and capitalized interest funds, may be invested beyond three years. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years.

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 Corporation mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

The Corporation'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 AA or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA or equivalent by at least one nationally recognized rating firm.

Custodial Credit Risk — Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the Corporation's name and are held by the counterparty. In the event of the failure of the counterparty, the Corporation may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2021, all of the Corporation's investments are held in the Corporation'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 U.S. dollar. The Corporation's investment policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the Corporation 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 Corporation basic financial statements. The two investment strategies employed by the Corporation are the Matching Approach and the Barbell

Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. All current investments for the Corporation utilized the Matching Approach.

5. CURRENT AND LONG-TERM NOTES, RECEIVABLES, AND AMOUNTS DUE FROM HARRIS COUNTY

Receivables and Amounts due from Harris County

At February 28, 2021, receivables in the amount of $1,041,757 were due from Harris County related to reimbursement for expenditures at NRG Park in response to COVID 19 and the FEMA Community Vaccination Center ("CVC") at NRG Park. Other receivables included $25,414 due from the NFL Club, $174,495 due from Aramark Sports & Entertainment Services, $17,695 due from the HLS&R, and $4,021,296 from ASM Global (formerly SMG) for operations of the Complex. Other receivables totaling $126,554 relate to sponsorship and park operations. No allowance for uncollectible accounts has been recorded as management believes all receivables will be collected.

Long-Term Notes

A long-term note in the amount of $225,000 is due from the Houston South Gateway Improvement District. The note, originating in 2015, has an unspecified due date, interest at 3.5%, and requires one principal and interest payment at the end of the note term. A financing agreement with Aramark Sports & Entertainment in the amount of $532,260 was entered into in June 2019. The original term was for four (4) years at 0.00% interest. As of February 28, 2021, the long-term amount due from Aramark is $188,442.

Harris County Capital Funding Advance

In November 2002, the Court approved funding the Corporation's $12 million capital improvement request originally approved on July 24, 2001 that would secure a subordinate funding commitment from the Sports Authority.

In November 2003, the Corporation and the Sports Authority executed the First Omnibus Modification of $12,000,000 Lien Notes, maturing February 15, 2032 and March 1, 2032 and secured by an irrevocable subordinate lien on and pledge of the residual revenues of the Sports Authority. Under the terms of the Modification, the principal amount on the Series 2001C-1 Note was reduced from $9,000,000 to $7,000,000, and the interest rate was reduced from 9.5% to 7%; and the principal amount on the Series 2001C-2 Note was increased from $3,000,000 to $5,000,000, and the interest rate was reduced to 0%. As consideration for this transaction, the Sports Authority paid the Corporation $5,000,000 to be used for stadium improvement purposes. In October 2018, the Sports Authority made the final payment on the Series 2001 C-1 Note and related accrued interest. Only the Series 2001C-2 Note remains outstanding as of February 28, 2021.

The Series 2001 C-2 Note is not in compliance with the Public Funds Investment Act since it does not receive a rating from at least one nationally recognized rating firm. The outstanding balance on the investment is still held by the Corporation and is included in Notes Receivable in the Corporation's financial statements.

6. CAPITAL ASSETS

Capital assets of the Corporation consist of equipment that is used in the Complex's operations and benefit more than a single fiscal year.

Capital asset transactions are summarized as follows:

	Balance March 1, 2020	Additions	Disposals & Transfers	Balance February 28, 2021
Equipment	$ 10,923,047	$ 65,184		$ 10,988,231
Accumulated depreciation	(9,731,429)	(226,632)		(9,958,061)
Total	$ 1,191,618	$ (161,448)	$ -	$ 1,030,170

Depreciation expense totaled $226,632 which is recorded in facilities and grounds expenses in the statement of activities.

The County has assigned the responsibility of overseeing capital repairs in NRG Park to the Corporation as part of the lease agreement entered into with the Corporation for the operations and maintenance of NRG Park. The County has also requested that the Corporation oversee the acquisition and management of the property insurance coverage at NRG Park.

7. LONG-TERM DEBT AND UNEARNED/UNAVAILABLE REVENUE

Changes to the Corporation's long-term debt obligations were as follows:

	Principal Balance March 1, 2020	Issued	Payment	Principal Balance February 28, 2021	Current Portion
Video Board Loan	$ 9,114,113		$ 1,519,019	$ 7,595,094	$ 1,519,019
Radio System Financing	194,857		194,857	-	-
Total	$ 9,308,970	$ -	$ 1,713,876	$ 7,595,094	$ 1,519,019

Outstanding debt as of February 28, 2021 is as follows:

	Original Issue Amount	Interest Rates (%)	Issue Date	Outstanding as of February 28, 2021
Video Board Loan	$ 16,709,208	5.50%	September 2014	$ 7,595,094
Radio System Financing	746,880	2.92%	December 2016	-
	$ 17,456,088			$ 7,595,094

Houston NFL Club/HLS&R Video Board Loan – On December 19, 2012, the Corporation entered into an agreement with Mitsubishi Electric Power Products, Inc. to manufacture and install a large-scale video display board above each end zone in NRG Stadium. The video display board was completed in fiscal year 2014. The Corporation financed the project with loans from the HLS&R and the NFL Club. Terms for the promissory notes totaling $16,709,208 were approved by the Corporation's Board of Directors in May 2014. In July 2015, revised payment schedules were submitted by the HLS&R and NFL Club. The final payments are due during the Corporation's fiscal year 2026.

Radio System Financing – In December 2016, the Corporation entered into a finance agreement with KS State Bank for the purpose of obtaining a radio communications system for use in NRG Park. The financed balance of $746,880 will be paid over a four-year period. The final payment was made in October 2020.

Annual debt service requirements to maturity as of February 28, 2021, are as follows:

	Equipment Financing		
Period	Principal	Interest	Total
2022	$ 1,519,019	$ 417,730	$ 1,936,749
2023	1,519,019	334,184	1,853,203
2024	1,519,019	250,638	1,769,657
2025	1,519,019	167,092	1,686,111
2026	1,519,018	84,004	1,603,022
	$ 7,595,094	$ 1,253,648	$ 8,848,742

Unearned/Unavailable Revenue — The Corporation has unearned and unavailable revenue in the governmental funds of $2,804,128 as of February 28, 2021 consisting of $1,046,430 from the NFL Club relating to Naming Rights funding received but not earned, and $1,757,698 in escrow funding for stadium project expenses directed by the NFL Club. The Corporation receives naming rights income as specified in the Stadium Tri-Party Agreement dated May 17, 2001, between the NFL Club, HLS&R, and the Corporation. The various related agreements expire in 2032 and entitle the Corporation to certain allocated naming rights income through the termination date. The Corporation recognizes this revenue as it is earned.

8. RETIREMENT PLAN

Plan Description. As of January 1, 2016, the Corporation provides retirement, disability, and survivor benefits for all of its employees through a non-traditional defined benefit pension plan in the statewide Texas County & District Retirement System ("TCDRS"). The Board of Trustees of TCDRS governs TCDRS and is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS issues a comprehensive annual financial report ("CAFR") on an annual basis. The CAFR is available upon request and may be obtained from the TCDRS website at www.TCDRS.org.

Benefits Provided. The approval of plan provisions is the responsibility of the Corporation's 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 or 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 Corporation's Board within the actuarial constraints imposed by the TCDRS Act. As a result, benefits can be expected to be adequately financed by the Corporation'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 Corporation's current match is 225%.

Employees Covered by Benefit Terms. At December 31, 2020, the following employees were covered by the benefit terms:

	12/31/2019	12/31/2020
Inactive employees or beneficiaries currently receiving benefits	1	1
Active employees	7	7
Total	8	8

Contributions. The Corporation has elected the annually determined contribution rate plan under provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the Corporation based on the covered payroll of employee members. Regulated by the TCDRS Act, the contribution rate of the Corporation is actuarially determined annually as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The Corporation contributed using an actuarially determined rate of 11.76% of covered payroll for the months of the calendar year 2020. The required employee contribution rate is 7% as approved by the Corporation's Board.

The financing objective for the plan is to provide benefits for the employee members that can be adequately financed by a fixed employer contribution rate that remains level as a percentage of covered payroll. Employee and Corporation contribution rates may be changed by the Corporation's Board with options available in the TCDRS Act.

Actuarial Assumptions. For the Corporation's fiscal year ending February 28, 2021, the net pension liability was measured as of December 31, 2020; and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

The total pension asset in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%

Salary Increases	4.60% The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.6% per year for a career employee.
Investment Rate of Return	7.50%, net of investment and administrative expenses
Cost-of-Living Adjustments	Cost-of-Living adjustments for the Corporation are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members are assumed to retire at the later of age 60 or earliest retirement eligibility.
Turnover	Turnover for eligible members ages 75 and later, retirement is assumed to occur immediately
Mortality	**Depositing Members** – 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014. **Service retirees, beneficiaries, and non-depositing members** – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. **Disabled retirees** - 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Long-Term Expected Rate of Return. Long –term expected rate of return of TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers are based on January 2021 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

Asset Class	Benchmark	Target Allocation[(1)]	Geometric Real Rate of Return[(2)]
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
Int'l Equities – Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l Equities – Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment Grade Bonds	Bloomberg Barclays US Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index[(3)]	4.00%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate	Cambridge Associates Real Estate Index[(4)]	6.00%	4.90%
Partnerships	Cambridge Associates Global Private Equity & Venture Capital Index[(5)]	25.00%	7.25%
Private Equity			
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

(1) Target Asset allocation adopted at the March 2021 TCDRS Board Meeting.
(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2021 capital market assumptions.
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate. The discount rate used to measure the total pension asset was 7.60%. This rate reflects the long-term rate of return on assets for funding valuation assumption of 7.50%, net of all expenses, plus

0.10% adjustment of administrative expenses as required by GASB Statement No. 68. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Funding Policy

- TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.
- The employer'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.
- Any increased cost due to the adoption of a Cost of Living Adjustment ("COLA") is required to be funded over a period of 15 years, if applicable.

Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2019	$ 445,493	$ 580,271	$ (134,778)
Changes for the year:			
Service Cost	123,204	-	123,204
Interest on total pension liability	45,967	-	45,967
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	7,638	-	7,638
Effect of assumptions changes or inputs	47,325	-	47,325
Refund of contributions	-	-	-
Benefit payments	(2,444)	(2,444)	-
Administrative expenses	-	(572)	572
Member contributions	-	52,178	(52,178)
Net investment income	-	60,227	(60,227)
Employer contributions	-	87,659	(87,659)
Other	-	4,123	(4,123)
Balances as of December 31, 2020	$ 667,183	$ 781,442	$ (114,259)

Sensitivity analysis. The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 7.60%, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	$ 777,631	$ 667,183	$ 575,506
Fiduciary net position	781,443	781,442	781,443
Net pension liability (asset)	$ (3,812)	$ (114,259)	$ (205,937)

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

Pension Expense and Deferred Inflows/Outflows of Resources related to Pensions. For the measurement period ended December 31, 2020, the Corporation recognized pension expense of $66,612. As of February 28, 2021, the Corporation reported deferred inflows and outflows of resources related to the pension from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 40,219	$ 50,451
Changes of assumptions	-	42,185
Net difference between projected and actual earnings	9,878	-
Contributions made subsequent to measurement date	-	14,632
	$ 50,097	$ 107,268

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

Year ending December 31:	
2021	$ 4,866
2022	5,593
2023	(761)
2024	4,487
2025	2,053
After	26,301

Payable to the Pension Plan. At February 28, 2021, the Corporation reported a payable of $11,671 for outstanding contributions to the pension plan.

9. NRG PARK COMPLEX

NRG Park Concessions Agreement — In March 2016, the Corporation's Board awarded the Food, Beverage and Merchandise Concession Contract to Aramark Sports and Entertainment Services. Along with the Corporation, the NFL Houston Texans, and the Houston Livestock Show and Rodeo are also parties to the agreement. The term of the agreement began on April 1, 2016 and shall end on May 31, 2032. Aramark shall invest $50,000,000 for the purchase of improvements to the Complex over the term of the agreement. As if February 28, 2021, over $31 million of this commitment has been invested in NRG Park.

NRG Park Complex Management (Facilities Management) — The Corporation has a facilities management agreement with ASM Global (formerly SMG) to provide management services for the facilities at the Complex.

The facilities manager is obligated to pay all expenditures in connection with the maintenance, use, repair, and occupancy of the facilities at the Complex, except for capital expenditures and utilities. Capital expenditures and utility expenditures are to be funded by the County.

The Corporation entered into the Facilities Management Agreement effective May 1, 2015. The initial expiration date is February 29, 2020. The Corporation may renew and extend the agreement for two additional five year periods. The Corporation and ASM Global are currently operating under the first of two, five year renewal extensions. This first renewal period expires in February 2025. The annual Management Fee is $595,000, paid on a monthly basis, for the 2021 fiscal year. This fee may be subsequently adjusted, at the end of each fiscal year, according to the terms set forth in the agreement. In addition, Performance Compensation shall be paid, in arrears, on an annual basis. This amount shall not exceed $300,000 and will be based on the Corporation's evaluation of ASM Global's performance under certain measures. These weighted measures are Operating Revenue (40%), Client Satisfaction (30%), and Facility Maintenance (30%). The Corporation has expensed $594,778 for the facilities management services and $300,000 for the annual performance bonus for the fiscal year ended February 28, 2021.

Included in the new agreement, is a provision for ASM Global to pay capital contributions in the amounts of $1,225,000 for capital improvements and equipment purchases, $1,225,000 to establish a reserve fund for NRG Center, $550,000 for furniture, fixtures, and equipment for NRG Park facilities and $500,000 for redevelopment efforts of the NRG Astrodome. However, the Corporation may utilize such funds at its discretion notwithstanding the purposes indicated above. In addition, at the beginning of each renewal period, ASM Global shall contribute $500,000 for capital improvements and equipment purchases. As of February 28, 2021, $475,857 of the initial $3,500,000 capital contribution remains unexpended. The $500,000 due in March of 2020 from ASM Global during the first renewal option period was deferred until 2021, due to the COVID 19 pandemic, by mutual consent of the Corporation and ASM Global.

National Football League Stadium — On October 19, 1998, Houston, the County, the Metropolitan Transit Authority of Harris County, the HLS&R, the NFL Club, and the Harris County Houston Sports Authority entered into a letter agreement (the "Project Agreement") that governs the construction, financing and use of a new multipurpose, retractable roof sports and entertainment facility (the "Stadium") designed to support the occupancy of a NFL franchise by the NFL Club, the annual rodeo of the HLS&R and other sporting and entertainment events.

On February 16, 2000, a second letter agreement, (the "Second Letter Agreement") was entered into between the Corporation (the successor-in-interest to the County), the Sports Authority, the HLS&R, and the NFL Club. This letter agreement modified and supplemented the terms of the agreement dated October 19, 1998, and together provided the basis by which the parties finalized the Project Agreement, the principal definitive document governing the development and construction of the Stadium.

The Second Letter Agreement provides that the Stadium will be located on property owned by the County at and adjacent to the Complex, with additional parking facilities to be located on property made available by HLS&R.

On May 17, 2001, the Corporation, the Sports Authority, HLS&R, and the NFL Club entered into several principal project development agreements. Under the terms of the agreements, the Corporation is responsible for constructing, operating, and maintaining the project.

NRG Stadium Lease Agreements — In May 2001, the Corporation entered into 30-year lease agreements with the HLS&R and the NFL Club for the use of NRG Stadium. Under terms of the lease, the NFL Club will pay a guaranteed payment of $4,010,000 and HLS&R will pay a guaranteed payment of $1,500,000 annually for the use of the facility. The NFL Club will pay an additional guaranteed payment of $2,954,814 annually. In connection with the issuance of the Sports Authority Bonds issued to finance certain costs of acquiring, constructing and equipping the Stadium, the Corporation assigned all NFL Club guaranteed payments and additional club payments to the Sports Authority and assigned all HLS&R Lease payments to the Harris County Houston Sports Authority for the payment of principal and interest on the Miscellaneous Club Revenue Bonds, Additional Landlord/Tenant Bonds, and the Miscellaneous Rodeo Revenue Bonds.

10. OPERATING LEASES

The Corporation leases office and equipment under a noncancelable operating lease. The Corporation entered into a new lease that began September 1, 2018. Total costs for such lease was $11,255 for the year ending February 28, 2021.

Lease payments under the current lease agreement for future years are $8,190 for fiscal year 2022.

11. CONTINGENCIES

The Corporation is subject to claims and contingent liabilities in the normal course of its operations. The Corporation does not believe the resolution of these matters will have a material effect on its financial position.