OFFICIAL STATEMENT DATED AS OF JULY 30, 2009

NEW ISSUE — BOOK ENTRY-ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX EXEMPTION" herein, and is not includable in the alternative minimum taxable income of individuals. See "TAX EXEMPTION" for a discussion of the opinion of Bond Counsel, including the alternative minimum tax consequences for corporations.

$199,915,000
HARRIS COUNTY, TEXAS
TOLL ROAD SENIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2009B
(Long Term Interest Rate Period)
CUSIP: 414005CE6

Interest Accrual Date: Date of Delivery **Due: August 15, as shown on the inside cover**

The "Harris County, Texas, Toll Road Senior Lien Revenue and Refunding Bonds, Series 2009B" (the "Bonds") are being issued and the pledge of the Trust Estate (defined herein) is being made pursuant to Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 284, Texas Transportation Code, as amended, an order adopted by the Commissioners Court of the County (the "Order"), an officer's pricing certificate executed on the date of the sale of the Bonds, a Second Amended and Restated Toll Road Senior Lien Revenue Bond Trust Indenture (the "Master Revenue Indenture"), as supplemented and amended to date, and a Twenty-Seventh Supplemental Indenture dated as of July 1, 2009 providing for the issuance of the Bonds (collectively, the "Revenue Indenture"), between the County and The Bank of New York Mellon Trust Company, National Association, as Trustee (the "Trustee"). The Bonds are being issued in a Long Term Interest Rate mode, subject to mandatory tender for purchase on August 12, 2010 (the "Initial Mandatory Tender Date").

The Bonds are special obligations of the County that, together with the Outstanding Toll Road Senior Lien Revenue Bonds and Parity Obligations, are secured by and payable from (i) a gross pledge of all Revenues of the County's toll road project (as further described herein, the "Project") and (ii) certain funds established pursuant to the Revenue Indenture. **The Bonds do not constitute an indebtedness of the County, the State of Texas, or any political subdivision thereof within the meaning of any constitutional or statutory limitation on indebtedness, but are payable solely from and secured by a senior lien upon the Trust Estate. No owner of the Bonds shall ever have the right to demand payment of the Bonds or any interest or premium thereon from any funds raised or to be raised by taxation.**

The Bonds will initially bear interest at the Long Term Interest Rate, as described herein, and will continue to bear interest at the Long Term Interest Rate to, but not including, the date upon which the interest rate borne by the Bonds is adjusted to the Weekly Interest Rate, the Daily Interest Rate, Bond Interest Term Rates, the Windows Interest Rate or a new Long Term Interest Rate in accordance with the terms of the Twenty-Seventh Supplemental Indenture as described herein. During the initial Long Term Interest Rate Period, interest on the Bonds will bear interest at the fixed rate shown on the inside cover until the Initial Mandatory Tender Date and is payable on each February 15 and August 15, commencing February 15, 2010 during the Long Term Interest Rate Period and on the Conversion Date, if any, therefor to a new Long Term Interest Rate Period or a new Interest Rate Period. Except as described herein, the Bonds are not subject to redemption prior to the Initial Mandatory Tender Date therefor. See "THE BONDS – Redemption Provisions."

Failure to pay the Tender Price on a Mandatory Tender Date is an Event of Default under the Twenty-Seventh Supplemental Indenture.

The Bonds will be dated August 1, 2009, with interest accruing from the date of delivery, and are issuable only in fully registered form in the denomination of $5,000 principal amount, or integral multiples thereof, initially registered solely in the name of Cede & Co., a registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), 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 shall be payable to Cede & Co., which will, in turn, remit such amounts to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. The principal of the Bonds is payable at the principal corporate trust office of the Paying Agent/Registrar, initially The Bank of New York Mellon Trust Company, National Association, or the Trustee. The Bonds are subject to optional and mandatory redemption and mandatory tender for purchase prior to maturity, as described herein. See "THE BONDS – Tender and Purchase of the Bonds," and "THE BONDS – Redemption Provisions."

The Bonds are being issued for the following purposes: (i) to provide additional funds to pay qualifying costs of the Project; (ii) to provide funds for the current refunding of a portion of the County's Outstanding Toll Road Senior Lien Revenue Bonds as further described in Schedule I (the "Refunded Bonds"); and (iii) to pay costs of issuance of the Bonds and costs of refunding the Refunded Bonds.

See Inside Cover Page for Maturities, Amounts, Interest Rates, Prices or Yields, and CUSIP Numbers for the Bonds

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This Official Statement generally describes the Bonds only while bearing interest at the Long Term Interest Rate. Prospective purchasers of the Bonds bearing interest at a rate other than the Long Term Interest Rate should not rely on this Official Statement.

This cover page is not intended to be a summary of the terms of, or the security for, the Bonds. Potential investors are advised to read the Official Statement in its entirety to obtain information essential to making an informed investment decision.

The Bonds are offered when, as, and if issued by the County and received by the Underwriter, subject to the approving opinions of the Attorney General of the State of Texas and Andrews Kurth LLP, Houston, Texas, Bond Counsel, as to the validity of the Bonds under the Constitution and the laws of the State of Texas. Certain legal matters will be passed upon for the County by Vince Ryan, County Attorney and Greenberg Traurig, LLP, Houston, Texas, Special Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Bates & Coleman P.C., Houston, Texas, Counsel to the Underwriter. The Bonds are expected to be available for delivery through DTC on or about August 13, 2009.

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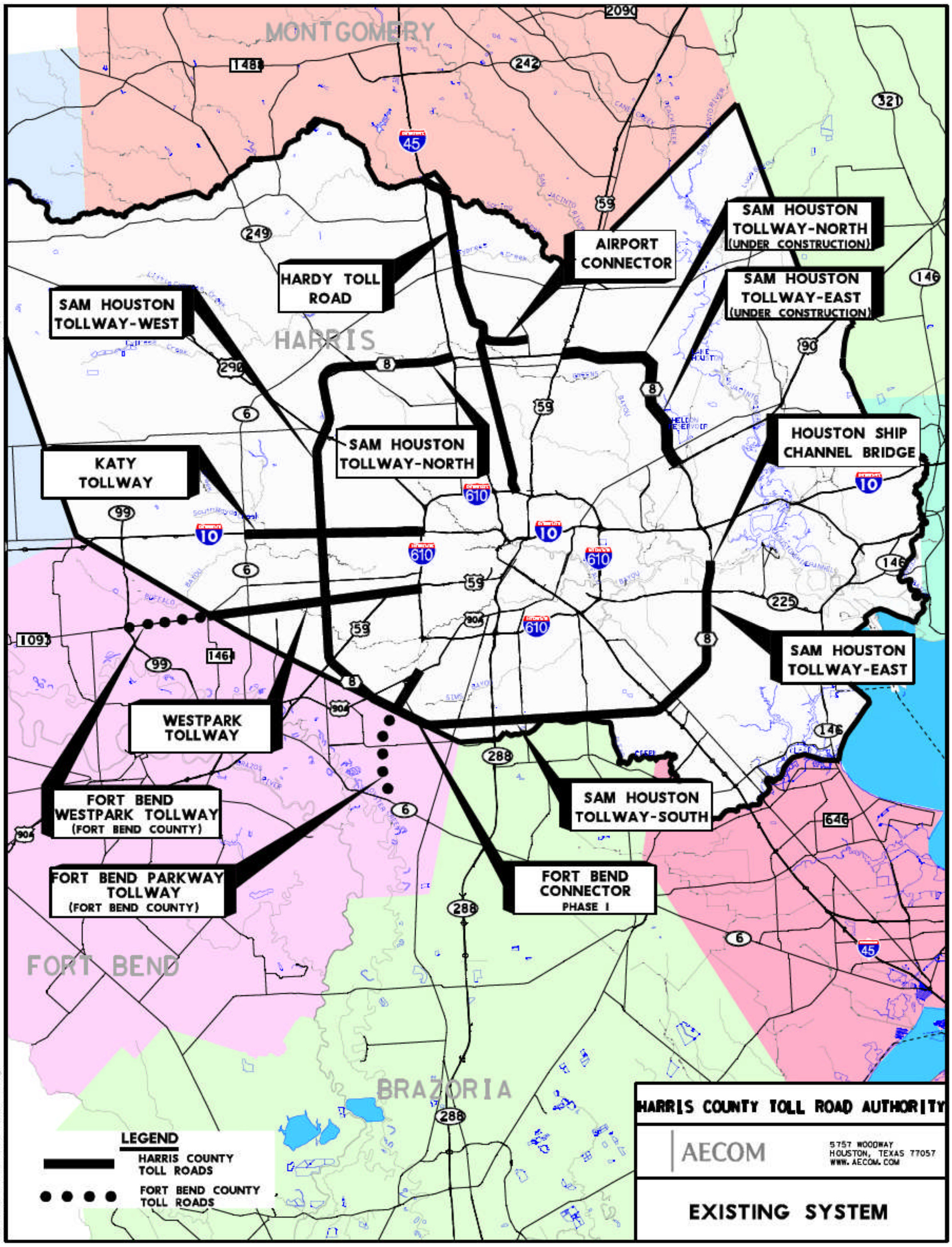
MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, AND CUSIP NUMBERS

$199,915,000
HARRIS COUNTY, TEXAS
TOLL ROAD SENIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2009B
(Long Term Interest Rate Period)

Maturity (August 15)[(1)]	Initial Mandatory Tender Date[(2)]	Initial Rate	Yield[(3)]	Principal Amount	CUSIP[(4)]
2015-2021	August 12, 2010	2.00%	.48%	$199,915,000	414005CE6

The Bonds are subject to optional and mandatory redemption and mandatory tender for purchase prior to maturity, as described herein. The Bonds in a Long Term Interest Rate Period are not subject to optional tender at any time. See "THE BONDS — Redemption Provisions."

[1] The Bonds will mature, or be subject to mandatory sinking fund redemption, on August 15 in each of the years 2015 through 2021, inclusively, as shown under the caption "THE BONDS — Redemption Provisions."
[2] On the Initial Mandatory Tender Date, the Bonds will be subject to mandatory tender for purchase. Interest on the Bonds is payable on each February 15 and August 15, beginning February 15, 2010.
[3] Yield calculated to the Initial Mandatory Tender Date. See "THE BONDS—Redemption Provisions."
[4] CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the County, the Financial Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark 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 CUSIP Services.


MONTGOMERY
HARRIS
FORT BEND
BRAZORIA
HARDY TOLL ROAD
AIRPORT CONNECTOR
SAM HOUSTON TOLLWAY-NORTH (UNDER CONSTRUCTION)
SAM HOUSTON TOLLWAY-EAST (UNDER CONSTRUCTION)
SAM HOUSTON TOLLWAY-WEST
SAM HOUSTON TOLLWAY-NORTH
KATY TOLLWAY
HOUSTON SHIP CHANNEL BRIDGE
SAM HOUSTON TOLLWAY-EAST
WESTPARK TOLLWAY
FORT BEND WESTPARK TOLLWAY (FORT BEND COUNTY)
SAM HOUSTON TOLLWAY-SOUTH
FORT BEND PARKWAY TOLLWAY (FORT BEND COUNTY)
FORT BEND CONNECTOR PHASE I
LEGEND
HARRIS COUNTY TOLL ROADS
FORT BEND COUNTY TOLL ROADS
HARRIS COUNTY TOLL ROAD AUTHORITY
AECOM
5757 WOODWAY
HOUSTON, TEXAS 77057
WWW.AECOM.COM
EXISTING SYSTEM

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. Capitalized terms not defined in the body of this Official Statement have the meanings assigned to them in "APPENDIX A–Glossary of Terms." The offering of the Bonds is made only by means of the 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.

County	Harris County, Texas (the "County").
The Bonds	$199,915,000 "Harris County, Texas, Toll Road Senior Lien Revenue and Refunding Bonds, Series 2009B (Long Term Interest Rate Period)." For a discussion of the terms of the Bonds, including redemption provisions, see "THE BONDS."
Purpose	The Bonds are being issued and the pledge of the Trust Estate is being made pursuant to Chapters 1207 and 1371, Texas Government Code, as amended, and Chapter 284, Texas Transportation Code, as amended for the following purposes: (i) to provide additional funds to pay qualifying costs of the Project; (ii) to provide funds for the current refunding of a portion of the County's Outstanding Toll Road Senior Lien Revenue Bonds as further described in Schedule I (the "Refunded Bonds"); and (iii) to pay costs of issuance of the Bonds and costs of refunding the Refunded Bonds.
Project	See "THE TOLL ROAD PROJECT."
Redemption of Bonds	The Bonds are subject to redemption prior to their scheduled maturities, as more fully described herein. See "THE BONDS — Redemption Provisions."
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co., the nominee of DTC pursuant to its 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 payment to the participating members of DTC for remittance to the beneficial owners of the Bonds. See "THE BONDS — Book-Entry-Only System."
Paying Agent/Registrar	The initial paying agent is The Bank of New York Mellon Trust Company, National Association.
Trustee	The trustee is The Bank of New York Mellon Trust Company, National Association.
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX EXEMPTION" herein, and is not includable in the alternative minimum taxable income of individuals or corporations. See "TAX EXEMPTION" for a discussion of the opinion of Bond Counsel.
Security and Source of Payment	The Bonds are special obligations of the County that, together with the Outstanding Toll Road Senior Lien Revenue Bonds and Parity Obligations, are secured by and payable from (i) a gross pledge of all Revenues of the Project and (ii) certain funds established pursuant to the Revenue Indenture. See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS."

Reserve Fund Requirement	Not less than the average annual Aggregate Debt Service nor more than the maximum annual Aggregate Debt Service on Toll Road Senior Lien Revenue Bonds and Parity Obligations.
Toll Covenant	The County has covenanted to, at all times, fix, charge, and collect tolls for use of the Project for each Fiscal Year as will be required to produce Revenues which will equal at least 1.25 times the Aggregate Debt Service on the Bonds, together with the Outstanding Toll Road Senior Lien Revenue Bonds and Parity Obligations, accruing in such Fiscal Year. See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS— Toll Covenant."
Maintenance Covenant	The County has covenanted that so long as the Bonds and any other Toll Road Senior Lien Revenue Bonds or Parity Obligations are Outstanding, it shall in each year levy, assess and collect an annual maintenance tax on all taxable property within the County fully sufficient in each such year (taking into account delinquencies and costs of collection) to produce maintenance tax revenues sufficient to (i) pay as they become due all Project Expenses for which there are insufficient available Revenues or (ii) produce maintenance tax revenues for the Project equal to the amounts budgeted for such purpose in such year by the County, whichever is greater.
Additional Toll Road Senior Lien Revenue Bonds	The County may issue one or more series of Toll Road Senior Lien Revenue Bonds and other obligations on a parity with the Bonds (as further defined in "APPENDIX A - Glossary of Terms," the "Parity Obligations") provided that certain tests are met. See "FLOW OF FUNDS (APPLICATION OF REVENUES)—Additional Toll Road Senior Lien Revenue Bonds and Parity Notes" and "— Additional Parity Obligations."
Credit Ratings	Moody's Investors Service ("Moody's") has assigned an underlying credit rating of "Aa3" to the Bonds. In addition, Moody's and Standard & Poor's Ratings Services ("Standard & Poor's") have assigned short-term credit ratings of "VMIG 1" and "A-1+," respectively, to the Bonds. See "RATINGS."
Payment Record	The County has never defaulted in paying the principal of or interest on any of its debt.
SEC Rule 15c2-12 Compliance	See "CONTINUING DISCLOSURE OF INFORMATION."

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No broker, dealer, sales representative or any other person has been authorized by the County or the Underwriter to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy any securities other than those described on the cover page, nor shall there be any offer to sell, solicitation of any offer to buy or sale of such securities by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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 LAW 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. THE BONDS 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. 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 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. 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 shall, 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.

The Bank of New York Mellon Trust Company, National Association, in each of its capacities, including but not limited to Trustee, Paying Agent, and Bond Registrar, has not participated in the preparation of this Official Statement and assumes no responsibility for its content.

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. Any statements made in this Official Statement or the 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.

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

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall 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, the 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 shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter 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 UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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.

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OFFICIAL STATEMENT

$199,915,000
HARRIS COUNTY, TEXAS
TOLL ROAD SENIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2009B
(Long Term Interest Rate Period)

INTRODUCTORY STATEMENT

General

This Official Statement is provided to furnish information in connection with the issuance by Harris County, Texas (the "County") of the captioned Toll Road Senior Lien Revenue and Refunding Bonds, Series 2009B (the "Bonds"). The Bonds are being issued and the pledge of the Trust Estate is being made pursuant to Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 284, Texas Transportation Code, as amended, an order adopted by the Commissioners Court of the County (the "Order"), an officer's pricing certificate to be executed on the date of the sale of the Bonds, and under a Second Amended and Restated Toll Road Senior Lien Revenue Bond Trust Indenture (the "Master Revenue Indenture"), as supplemented and amended to date, and a Twenty-Seventh Supplemental Indenture dated as of July 1, 2009, providing for the issuance of the Bonds (collectively with the Master Revenue Indenture, the "Revenue Indenture"), between the County and The Bank of New York Mellon Trust Company, National Association, as Trustee (the "Trustee"). The Bonds are being issued in a Long Term Interest Rate mode, subject to mandatory tender for purchase on August 12, 2010 (the "Initial Mandatory Tender Date").

Capitalized terms used herein, but not otherwise defined herein, have the meanings set forth in "APPENDIX A– GLOSSARY OF TERMS." A summary of the Revenue Indenture is included in "APPENDIX B— SUMMARY OF THE REVENUE INDENTURE." Bonds authorized for issuance under the Revenue Indenture, including the Bonds, are referred to herein generally as the "Toll Road Senior Lien Revenue Bonds." The County also, from time to time, issues Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds under a separate indenture referred to as the "Tax Indenture." Bonds authorized for issuance under the Tax Indenture are referred to herein generally as the "Toll Road Tax Bonds." The Toll Road Senior Lien Revenue Bonds and the Toll Road Tax Bonds, collectively, are referred to herein as the "Toll Road Bonds." The Revenue Indenture and Tax Indenture, collectively, are referred to herein as the Indentures. This Official Statement in general only describes the Toll Road Senior Lien Revenue Bonds, and not the Toll Road Tax Bonds.

Sources of Payment for the Bonds

The Toll Road Senior Lien Revenue Bonds, including the Bonds, are special obligations of the County that, together with the Outstanding Parity Obligations, are secured by and payable from (i) a gross pledge of all Revenues of the Project and (ii) certain funds established pursuant to the Revenue Indenture. See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS."

PLAN OF FINANCING

The Bonds are being issued and the pledge of the Trust Estate is being made pursuant to Chapters 1207 and 1371, Texas Government Code, as amended, and Chapter 284, Texas Transportation Code, as amended (collectively, the "Act") for the following purposes: (i) to provide additional funds to pay qualifying costs of the Project; (ii) to provide funds for the current refunding of a portion of the County's Outstanding Toll Road Senior Lien Revenue Bonds as further described in Schedule I (the "Refunded Bonds"); and (iii) to pay costs of issuance of the Bonds and costs of refunding the Refunded Bonds.

Satisfaction of Additional Bonds Test

The County will satisfy the additional bonds test with respect to the Bonds by providing an Accountant's Certificate to the effect that for any 12 consecutive month period out of the 24 months preceding July 2009,

> (i) the coverage of Aggregate Debt Service for such 12 months on all Bonds, Parity Notes and other Parity Obligations Outstanding *prior to* the issuance of the Bonds was either (A) at least 1.25 times Net Revenues during such period, as adjusted for any toll increases theretofor placed in effect; or (B) at least 1.50 times Revenues during such period, as adjusted for any toll increases theretofor placed in effect; and
>
> (ii) the coverage of Aggregate Debt Service for such 12 months on all Bonds, Parity Notes and other Parity Obligations during such period, *including* the Bonds, was either (A) at least 1.25 times Net Revenues during such period; or (B) at least 1.50 times Revenues during such period.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

SOURCES	TOTAL
Principal Amount	$199,915,000.00
Reoffering Premium	3,018,716.50
Total Sources	$202,933,716.50
USES	
Deposit with Paying Agent for Refunded Bonds	$199,915,000.00
Cost of Issuance	2,404,830.60
Underwriter's Discount	613,885.90
Total Uses	$202,933,716.50

THE BONDS

The following summary describes the terms of the Bonds only while the Bonds bear interest at the Long Term Interest Rate. Prospective purchasers of the Bonds should not rely on this summary if the Bonds are bearing interest at a rate other than the Long Term Interest Rate. If the County elects to convert the Bonds to another Interest Rate Period, a new official statement or a supplement to this Official Statement describing the terms of the Bonds during such Interest Rate Period will be prepared.

General

The Bonds initially will bear interest at the Long Term Interest Rate as described herein unless and until, at the direction of the County and upon compliance with the conditions set forth in the Twenty-Seventh Supplemental Indenture, the interest rate borne by the Bonds is converted to a Weekly Interest Rate, a Daily Interest Rate, a Windows Interest Rate, Bond Interest Term Rates or a new Long Term Interest Rate. See " — Determination of the Long Term Interest Rate."

The Bonds are to (i) mature on August 15, 2021, subject to prior redemption as described herein and (ii) bear interest from the date of their issuance until paid. So long as the Bonds bear interest at the Long Term Interest Rate, interest will be computed on the basis of a 360-day year based on twelve 30 day months. See " — Redemption Provisions."

The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Bonds may be purchased by the beneficial owners in denominations, during a Long Term Interest Rate Period, of $5,000 or multiple integrals thereof (during a Long Term Interest Rate Period, an "Authorized Denomination").

While the Bonds bear interest at the Long Term Interest Rate, interest on the Bonds will be payable on each February 15 and August 15 or, if such date is not a Business Day, the next succeeding Business Day (during a Long Term Interest Rate Period, an "Interest Payment Date") for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the Bonds will be payable for the final Interest Rate Period to the date on which the Bonds have been paid in full. During the Long Term Interest Rate Period, the Interest Accrual Date for each Long Term Period is the first day thereof and, thereafter, each Interest Payment Date during such Long Term Interest Rate Period, other than the last Interest Payment date. The initial Interest Payment Date for the Bonds will be February 15, 2010.

At no time will any Bond bear interest at a Long Term Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest on the Bonds permitted by applicable law.

Principal of and premium, if any, and interest on the Bonds will be paid by the Trustee. Principal is payable upon presentation of the Bonds by the Holders thereof as the Bonds become due and payable. Except as otherwise provided in the Twenty-Seventh Supplemental Indenture, interest on the Bonds will be payable on each Interest Payment Date by the Trustee by check mailed on the date on which interest is due to the Holders of the Bonds at the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of such Holders as they appear on the registration books maintained by the Trustee. The Record Date with respect to any Interest Payment Date for the Bonds bearing interest at a Long Term Interest Rate is the fifteenth day immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date is less than fifteen days after the first day of a Long Term Interest Rate Period, such first day.. Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the Book-Entry Only System described in Appendix G, all payments to the Beneficial Owners of such Bonds will be made in accordance with the procedures described in Appendix G.

Determination of the Long Term Interest Rate

During each Long Term Interest Rate Period, the Bonds shall bear interest at a Long Term Interest Rate. The Long Term Interest Rate for each Long Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long Term Interest Rate Period.

The Long Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase such Bonds on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof.

Conversion of Interest Rates on the Bonds

Conversion from Long Term Interest Rate. The County may elect, by written direction to the Trustee, the Tender Agent, and the Remarketing Agent, subject to the conditions of the Twenty-Seventh Supplemental Indenture, that, on the day immediately following the last day of a Long Term Interest Rate Period or a day on which the Bonds would otherwise be subject to optional redemption pursuant to Twenty-Seventh Supplemental Indenture, the Bonds shall no longer bear interest at the current Long Term Interest Rate and shall instead bear interest at a Weekly Interest Rate, a Daily Interest Rate, a Windows Interest Rate, Bond Interest Term Rates, or a new Long Term Interest Rate, as specified in such election. In the notice of such election, the County shall also specify the effective date of the new Interest Rate Period, which date (1) shall be a Business Day no earlier than the 10th day after the second Business Day following the date of receipt by the Trustee of the notice of election from the County or, in the case of adjustment to a new Long Term Interest Rate Period, the 10th day after the second Business Day following the date of receipt by the Trustee of such notice and (2) shall be the day immediately following the last day of the Long Term Interest Rate Period currently in effect or a day on which the Bonds would otherwise be subject to optional redemption pursuant to the Twenty-Seventh Supplemental Indenture if such Conversion did not occur. Such Bonds shall be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period, in accordance with the Twenty-Seventh Supplemental Indenture.

The Trustee is required to give notice to the Holders by first-class mail of a Conversion and associated mandatory tender not less than 10 days prior to the Conversion Date (the effective date of the new Interest Rate Period).

Certain Conditions to Conversion of Interest Rates on the Bonds. In connection with any Conversion of the Interest Rate Period from a Long Term Interest Rate Period, the County will cause to be provided to the Trustee a Favorable Opinion of Bond Counsel dated the effective date of such Conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period will not be converted from the Long Term Interest Rate Period, and the Bonds will continue to bear interest at a Long Term Interest Rate as in effect immediately prior to such proposed Conversion of the Interest Rate Period.

If notice of such Conversion has been mailed to the holders of the Bonds, and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of the proposed Conversion, the Bonds will not be subject to mandatory purchase on the date which would have been the effective date of such Conversion as provided in the Twenty-Seventh Supplemental Indenture.

The County may rescind its election to convert the Interest Rate Period from a Long Term Interest Rate Period by delivering a rescission notice to the Trustee, the Remarketing Agent, and the Tender Agent on or prior to 10:00 a.m. on the Business Day preceding the proposed effective date of the conversion. If the County rescinds its election to convert the Interest Rate Period from a Long Term Interest Rate Period, then the Bonds will not be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion.

If, at any time, the Interest Rate Period for the Bonds is to be changed from one Interest Rate Period to another, the Interest Rate Period for all of the Bonds must be changed.

Tender and Purchase of the Bonds

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. Pursuant to the Twenty-Seventh Supplemental Indenture, the Bonds shall be subject to mandatory tender for purchase on the Initial Mandatory Tender Date and the first day following the last day of each subsequent Long-Term Interest Rate Period (because such day will be, or would have been, the first day of a new Interest Rate Period). For payment of the Tender Price on the Tender Date, a Bond must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day. The Tender Price shall be payable only upon surrender of such Bond to the Tender Agent at its Principal Office for delivery of Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

The Bonds in a Long Term Interest Rate Period are not subject to optional tender at any time.

Redemption Provisions

The Bonds are subject to redemption prior to maturity as follows:

Optional Redemption. If there is no continuing Event of Default under the terms of the Twenty-Seventh Supplemental Indenture, the Bonds, while bearing interest at the Long Term Interest Rate, shall be subject to optional redemption at the written direction of the County, in whole or in part, on the first day of any Long-Term Interest Rate Period, at a redemption price of 100% of the principal amount thereof.

Mandatory Sinking Fund Redemption. The Bonds will be redeemed in part on August 15 in each year listed below, commencing August 15, 2015, at a redemption price of 100% of the principal amount thereof plus accrued interest, if any, to, but not including, the redemption date, in the principal amount set forth below next to such year:

Year (August 15)	**Principal Amount**
2015	**$16,500,000**
2016	**4,000,000**
2017	**19,290,000**
2018	**20,625,000**
2019	**44,760,000**
2020	**46,510,000**
2021	**48,230,000**

Notice of Redemption; Effect of Redemption. In the event any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of the Bonds, to be so redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondholder or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

Any Bonds and portions of Bonds which have been duly selected for redemption and which are paid in accordance with the Twenty-Seventh Supplemental Indenture shall cease to bear interest on the specified redemption date.

Notice Upon Converting Interest Rate. If the County elects to convert the interest rate of the Bonds to a Weekly Interest Rate, a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates, or a Windows Interest Rate as provided in the Twenty-Seventh Supplemental Indenture, the written direction furnished by the County to the Trustee, the Tender Agent and the Remarketing Agent as required by the Twenty-Seventh Supplemental Indenture shall be made by registered or certified mail, or by Electronic Means confirmed by registered or certified mail, in sufficient time for the Trustee to send the notice required to be given pursuant to by the Trustee pursuant to the Twenty-Seventh Supplemental Indenture. That direction shall specify whether the Bonds are to bear interest at the Weekly Interest Rate, Daily Interest Rate, Long Term Interest Rate, Bond Interest Term Rates, or Window Interest Rates and shall be accompanied by (a) a copy of the notice required to be given by the Trustee pursuant to the Twenty-Seventh Supplemental Indenture and (b) a Favorable Opinion of Bond Counsel.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Rate Period. The Bonds will be subject to mandatory tender for purchase on the effective date of a conversion to a different Interest Rate Period at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Undelivered Bonds. If any Holder of a Bond subject to mandatory tender for purchase pursuant to the Twenty-Seventh Supplemental Indenture fails to deliver such Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or fails to deliver such Bond properly endorsed, such Bond will constitute an Undelivered Bond. If funds in the amount of the Tender Price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, from and after the Tender Date and time of that required delivery, (1) such Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Twenty-Seventh Supplemental Indenture; (2) interest will no longer accrue thereon; and (3) funds in the amount of the Tender Price of such Undelivered Bond will be held by the Tender Agent uninvested for the benefit of the Holder thereof (provided that the Holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of the Bonds.

Refusal to Accept Without Proper Instrument of Transfer. The Tender Agent may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided; however, such refusal will not affect the validity of the purchase of such Bond as described in the Twenty-Seventh Supplemental Indenture.

Book-Entry System. So long as a book-entry system is in effect with respect to the Bonds, all references in the Twenty-Seventh Supplemental Indenture to purchases or sales of the Bonds shall mean the purchase or sale of beneficial ownership of such Bonds within such book-entry system and all purchases and transfers of beneficial ownership of such Bonds by the Tender Agent shall be conducted in accordance with such book-entry system as such book-entry system shall be in effect and revised from time to time.

Remarketing of Bonds. Pursuant to the Twenty-Seventh Supplemental Indenture and the Remarketing Agreement, the Remarketing Agent will use its best efforts to remarket the Bonds subject to optional and mandatory tender for purchase.

Sources of Funds for Purchase of Bonds. On the date on which Bonds are required to be purchased pursuant to the Twenty-Seventh Supplemental Indenture, the Tender Agent will purchase such Bonds from the Holders thereof at the Tender Price thereof. Funds for the payment of such Tender Price will be received from the following sources and used in the order of priority indicated:

(a) proceeds of the sale of the Bonds remarketed by the Remarketing Agent; and

(b) moneys provided to the Tender Agent by the County for the purchase of the Bonds.

If sufficient funds are not available for the purchase of all the Bonds tendered or deemed tendered and required to be purchased on any Mandatory Tender Date, the failure to pay the Tender Price of all tendered Bonds when due and payable will constitute an Event of Default under the Twenty-Seventh Supplemental Indenture and all tendered Bonds will be returned to their respective Holders and will bear interest at the Maximum Bond Interest Rate from the date of such failed purchase until all such Bonds are purchased as required in accordance with the Twenty-Seventh Supplemental Indenture. In such case, principal of and interest on all of the Bonds is immediately due and payable. Thereafter, the Trustee will continue to take all action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the County.

Remarketing Agent. The initial Remarketing Agent for the Bonds shall be Citigroup Global Markets Inc. The County shall appoint any successor Remarketing Agent for the, subject to the conditions set forth in the Twenty-Seventh Supplemental Indenture. Each Remarketing Agent appointed by the County shall designate its Principal Office in the Remarketing Agreement. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed upon it under the Twenty-Seventh Supplemental Indenture by a written instrument of acceptance (which may be the Remarketing Agreement) delivered to the County, the Trustee, and the Tender Agent, under which the Remarketing Agent shall agree, particularly, to keep such books and records related to the remarketing of the Bonds as shall be consistent with prudent industry practice and to make such books and records related to the remarketing of the Bonds available for inspection by the County, the Trustee and the Tender Agent at all reasonable times. Promptly upon receipt of such acceptance by a Remarketing Agent, the Trustee shall give notice by first-class mail to the Holders of the Bonds of the appointment of such Remarketing Agent, except the initial Remarketing Agent.

Tender Agent. The initial Tender Agent for the Bonds shall be The Bank of New York Mellon Trust Company, National Association. The County shall appoint any successor Tender Agent for the Bonds, subject to the conditions set forth in the Twenty-Seventh Supplemental Indenture. Each Tender Agent appointed by the County shall designate its Principal Office for delivery of notices and delivery of the Bonds and signify its acceptance of the duties and obligations imposed upon it under the Twenty-Seventh Supplemental Indenture by a written instrument of acceptance delivered to the County, the Trustee and the Remarketing Agent. Promptly upon receipt of such acceptance by a Tender Agent, the Trustee shall give notice by first-class mail to the Holders of the Bonds of the appointment of such Tender Agent, except the initial Tender Agent. By acceptance of its appointment under the Twenty-Seventh Supplemental Indenture, the Tender Agent agrees:

(i) to hold all money in the Bond Purchase Fund and each of the accounts therein in trust for the benefit of the Holders who are required to tender Bonds for purchase and to apply such moneys in accordance with the Twenty-Seventh Supplemental Indenture;

(ii) to hold all Bonds delivered to it pursuant to the Twenty-Seventh Supplemental Indenture as agent and bailee of, and in escrow for the benefit of, the respective Holders which have delivered such Bonds until money representing the Tender Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders;

(iii) to hold all Bonds registered in the name of the new Holders thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Twenty-Seventh Supplemental Indenture; and

(iv) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the County, the Trustee, and the Remarketing Agent at all reasonable times.

The County shall pay to the Tender Agent its fees for performing its duties as Tender Agent and shall reimburse the Tender Agent for any out-of-pocket expenses (including reasonable legal expenses) incurred by the Tender Agent in connection with such performance.

Resignation or Removal of Tender Agent. A Tender Agent may at any time resign and be discharged of the duties and obligations created by the Twenty-Seventh Supplemental Indenture by giving at least 60 days' notice to the County, the Trustee and the Remarketing Agent. A Tender Agent may be removed at any time by an instrument signed by the County, and delivered to such Tender Agent, the Trustee and the Remarketing Agent. Notwithstanding the provisions of this paragraph, such resignation or removal shall not take effect prior to the date that a successor Tender Agent has been appointed by the County and has accepted such appointment. Upon the effective date of resignation or removal of a Tender Agent, such Tender Agent shall deliver any Bonds and money held by it in such capacity to its successor.

Ownership. The County, the Trustee, the Paying Agent/Registrar and the Authenticating Agent may deem and treat the person in whose name any Bond is shown on the Register for the Bonds as the absolute owner of such Bond whether such Bond becomes overdue or not, for the purpose of receiving payment of, or on account of, the principal or redemption price of, and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the registered owner's order will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the County, the Trustee, the Paying Agent/Registrar and the Authenticating Agent will not be affected by any notice to the contrary.

Book-Entry-Only System. APPENDIX G describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in APPENDIX G concerning DTC and the Book-Entry-Only System has been obtained from DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes 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 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 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, 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 for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with 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 Revenue Indenture will be given only to DTC.

Transfers; Exchanges; Charges; Replacements. The Paying Agent/Registrar will keep, or cause to be kept, on behalf of the County, at the principal corporate trust office of the Paying Agent/Registrar or such other locations as may be provided in the Revenue Indenture, the Register for the Bonds, in which, subject to such reasonable regulations as the County, the Trustee and the Paying Agent/Registrar may prescribe, the County will cause the Bonds to be registered.

Transfers. If the Bonds are not in a book-entry-only system, the Bonds will be transferable only upon the Register for such series of Bonds by the registered owner in person or by the registered owner's attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Paying

Agent/Registrar duly executed by the Owner or the Owner's duly authorized attorney. Upon the transfer of any such Bond and payment of any required fees, the County will issue in the name of the transferee a new fully registered Bond or Bonds of the same series, aggregate principal amount and maturity as the surrendered Bond.

Exchanges. Upon surrender at the principal corporate trust office of the Paying Agent/Registrar (or any agent appointed to act on behalf of the Paying Agent/Registrar), together with a written instrument of transfer satisfactory to the Paying Agent/Registrar (or such agent) duly executed by the Owner or the Owner's duly authorized attorney, a Bond may, at the option of the Owner thereof, and upon payment by such Owner of any charges which the Paying Agent/Registrar or the County may make, be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity and in any authorized denomination.

The Paying Agent/Registrar is not required to transfer or exchange Bonds for a period of 15 days next preceding the selection of Bonds for redemption or to transfer or exchange any Bonds called for redemption.

Charges. For every transfer of Bonds, the County, the Paying Agent/Registrar or the Authenticating Agent may make a charge equal to any expense, tax, fee or other governmental charge required to be paid with respect to such transfer. In addition, for every exchange of Bonds, the County, the Paying Agent/Registrar or the Authenticating Agent may make reasonable charges to cover the charges and costs of printing Bonds, including any Paying Agent/Registrar's charges in connection therewith. The payment of the sum or sums will be made by the Owner requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange.

Replacements. The Revenue Indenture provides for the replacement of mutilated, destroyed, stolen, or lost Bonds upon certain conditions, including the provision of satisfactory indemnity and payment of expenses.

Certain Dates Not Business Days. The Revenue Indenture provides that in any case in which the date fixed for the payment of the principal or premium, if any, and interest on Bonds, or the date fixed for the redemption of any Bonds, is not of a Business Day, the payment of principal, premium, if any, interest or redemption price need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such payment. Each reference herein made to a date that is not a Business Day must be understood to refer to the next succeeding Business Day.

Trustee as Additional Paying Agent. The Twenty-Seventh Supplemental Indenture provides that the Trustee shall act as an additional Paying Agent for the Bonds for payments at maturity only and that any reference to the Paying Agent shall be deemed to include the Trustee when acting in such capacity. As such additional Paying Agent, the Trustee shall not be required to make any payment to any Bondholder until the Trustee has in its possession in such capacity sufficient immediately available funds to make such payment.

Special Considerations Relating to the Bonds

The Remarketing Agent is Paid By the County. The Remarketing Agent's responsibilities include remarketing Bonds that are mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Twenty-Seventh Supplemental Indenture and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the County and is paid by the County for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Holders and potential purchasers of Bonds.

The Remarketing Agent May Purchase Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. The Remarketing Agent may or may not be able to remarket Bonds tendered for purchase on a Tender Date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event a Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Tender Date, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

The Remarketing Agent May Resign, Without a Successor Being Named. The Remarketing Agent may resign, upon 30 days' prior written notice, without a successor having been named. If a successor has not been named on or before the effective date of such resignation, then the Bonds shall bear interest at the Maximum Bond Interest Rate from such date until a successor Remarketing Agent is appointed and begins determining interest rates for the Bonds.

SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS

Pledge of the Trust Estate

Pursuant to the Act, including specifically Chapter 284, Texas Transportation Code, as amended, the Toll Road Senior Lien Revenue Bonds, including the Bonds, and all Parity Obligations, issued or entered into pursuant to the Revenue Indenture are secured by and payable from the Trust Estate created pursuant to the Revenue Indenture which includes a pledge of and lien on (i) all right, title, and interest of the County in all moneys and securities in the Debt Service Fund and Debt Service Reserve Fund as provided in the Revenue Indenture, (ii) all right, title, and interest of the County in and to the Revenues as further described below to the extent of Revenues collected, (iii) all right, title, and interest of the County in and to proceeds of Toll Road Senior Lien Revenue Bonds and Parity Obligations required to be deposited in the Construction Fund pursuant to the Revenue Indenture and to Investment Securities held in the Construction Fund, (iv) to the extent permitted by law, all right, title, and interest of the County in and to the proceeds from the sale of Toll Road Tax Bonds and investments thereof from time to time on deposit in the Construction Fund required to be maintained pursuant to the Tax Indenture and (v) any and all property of every kind and nature which may be assigned, hypothecated, endorsed, pledged, granted, or delivered to or deposited with the Trustee as additional security under the Revenue Indenture. A summary of the Revenue Indenture is included in APPENDIX B.

The term "Revenues" is defined in the Revenue Indenture to mean all amounts derived from the ownership or operation of the Project which constitute revenues in accordance with generally accepted accounting principles, including any amounts derived from the ownership or operation of any project or projects with which the Project may be pooled, plus any interest income earned on all Funds and Accounts established under the Revenue Indenture and the Tax Indenture, which is required to be transferred to or maintained in the Revenue Fund, the Debt Service Fund, or the Debt Service Reserve Fund, but specifically excluding interest income attributable to capitalized interest on Toll Road Senior Lien Revenue Bonds or Parity Obligations. The Toll Road Senior Lien Revenue Bonds (including the Bonds) and the Parity Obligations are secured by and payable only from the Trust Estate and are not secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the Project.

The Toll Road Senior Lien Revenue Bonds (including the Bonds) and the Parity Obligations are special obligations of the County and do not constitute an indebtedness or general obligation of the County, the State of Texas or any political subdivision thereof within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from and secured by a senior lien upon the Trust Estate. No Owner of any Toll Road Senior Lien Revenue Bonds or Parity Obligations shall ever have the right to demand payment of such Toll Road Senior Lien Revenue Bonds or Parity Obligations or any interest or premium thereon from any funds raised or to be raised from ad valorem taxation.

Toll Covenant

Under the Revenue Indenture, the County has covenanted that it will at all times fix, charge and collect such tolls for use of the Project as will be required to produce Revenues which will equal at least 1.25 times the Aggregate Debt Service on all Toll Road Senior Lien Revenue Bonds (including the Bonds) and Parity Obligations accruing in such Fiscal Year.

The Revenue Indenture requires that, before the beginning of each Fiscal Year, the County must review the financial status of the Project in order to estimate and determine whether Revenues for the current Fiscal Year and for the following Fiscal Year will be sufficient to comply with the toll covenant. In connection with the preparation of the annual budget for each Fiscal Year, the County is also required to prepare and file with the Trustee a copy of its estimate of Revenues and Debt Service, together with a statement of pertinent estimates and assumptions, which must take into consideration the cost of completing any uncompleted portion of the Project and the issuance of future series of Toll Road Senior Lien Revenue Bonds or Parity Obligations, if necessary, to finance the completion. If the County, in adopting any annual budget, determines that Revenues may be inadequate to meet this toll covenant, or if the audited financial reports of the County show that the County did not satisfy such covenant for the prior Fiscal Year, the County promptly must engage Independent Traffic Engineers to make a study and recommend a schedule of tolls that (except as otherwise provided in the following paragraph) will provide sufficient Revenues in the following Fiscal Year to comply with the toll covenant and that will provide additional Revenues in such following Fiscal Year and later years in order to eliminate any deficiency at the earliest practicable time. The County will place the recommended schedule of tolls in effect no later than 90 days after the receipt of the recommendation from such Independent Traffic Engineers.

Failure to comply with the toll covenant described above will not constitute an Event of Default if either (i) the County complies with the procedures described in the preceding paragraph or (ii) its Traffic Engineers are of the opinion that a toll schedule which will comply with the toll covenant described above is impracticable at that time, and the County therefore cannot comply with the covenant described in the preceding paragraph, and the County establishes a schedule of tolls which is recommended by its Independent Traffic Engineers to comply as nearly as practicable with the toll covenant described above.

Maintenance Tax Covenant

So long as any Toll Road Senior Lien Revenue Bonds (including the Bonds) or Parity Obligations are Outstanding, the County must in each year levy, assess, and collect an annual maintenance tax on all taxable property within the County (within the limits prescribed by law) fully sufficient in each year (taking into account delinquencies and costs of collection) to provide maintenance tax revenues in an amount which shall be sufficient to (i) pay as they become due all Project Expenses for which there are insufficient available Revenues or (ii) produce maintenance tax revenues for the Project equal to the amounts budgeted for such purpose in such year by the County, whichever is greater. To date, the County has not had to levy an annual maintenance tax to satisfy such covenant. **Any such maintenance tax revenues are not part of the Trust Estate and may not be applied to the payment of Debt Service on the Toll Road Senior Lien Revenue Bonds (including the Bonds) or Parity Obligations.**

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FLOW OF FUNDS (APPLICATION OF REVENUES)

Under Provisions of the Revenue Indenture

Revenues Derived From the Project

Debt Service Fund

1. (i) Pay any principal and interest to become due and payable on each series of Outstanding Toll Road Senior Lien Revenue Bonds and Parity Notes; and (ii) if provided in any Supplemental Indenture, any amounts required to be paid under any other Parity Obligation, including pursuant to Parity Credit Agreements and Parity Hedge Agreements. (See "TOLL ROAD FINANCIAL INFORMATION - Financial Management Products" for a discussion of regularly scheduled payments (other than termination payments and collateral posting requirements) due under the Swap Agreements.)

Debt Service Reserve Fund

2. Deposit 1/60 of the Debt Service Reserve Fund Requirement or the amount needed, if any, to attain the Debt Service Reserve Fund Requirement of not less than the average annual Aggregate Debt Service nor more than the maximum Aggregate Debt Service on Toll Road Senior Lien Revenue Bonds or Parity Obligations.

Junior Lien Obligations

3. Pay all deposits, payments or transfers required by any indenture, resolution, order or other instrument creating or evidencing any Junior Lien Obligation at the time and manner provided in such instrument.

Project Expenses

4. Pay Project Expenses, to the extent not paid from other sources. See "TOLL ROAD FINANCIAL INFORMATION - Financial Management Products" for a discussion of termination payments and collateral posting requirements as Project Expenses under the Swap Agreements.

Operating Reserve

5. Pay, out of money held in the Revenue Fund, the amount, if any, required to establish and maintain the Operating Reserve.

Renewal and Replacement Fund

6. Set aside, out of money in the Revenue Fund, the amount, if any, required by the County to be deposited into the Renewal and Replacement Fund.

Subordinate Indebtedness

7. Pay all deposits, payments or transfers required by any indenture, resolution, order or other instrument creating or evidencing any subordinate indebtedness which is not payable as a first or prior charge on Revenues.

Surplus Fund

8. Transfer any remaining money to the Surplus Fund. See "–Flow of Funds–Other Funds."

Flow of Funds

The Revenue Indenture requires that, except as specifically provided, all Revenues must be deposited into the Revenue Fund, as received. All money at any time in the Revenue Fund must be applied to make transfers to the following funds or to make payments for the following purposes in the following order of priority: (i) into the Debt Service Fund; (ii) into the Debt Service Reserve Fund; (iii) to any funds or accounts established in connection with any Junior Lien Obligations; (iv) for payment or provision for payment of Project Expenses, to the extent not paid from other sources; (v) to maintain the Operating Reserve; (vi) into the Renewal and Replacement Fund; (vii) for payment of subordinate indebtedness, including all then Outstanding Toll Road Tax Bonds; and (viii) into the Surplus Fund. The Debt Service Fund and the Debt Service Reserve Fund are held by the Trustee, while all other Funds and Accounts are held by the County.

Debt Service Fund. The Revenue Indenture provides that there must be paid from the Revenue Fund into the Debt Service Fund on or before the last day of each month, amounts which, when added to other amounts in the Debt Service Fund, will provide for the accumulation, in substantially equal monthly installments, of the amounts required to pay the following: (i) any interest to become due and payable on the next Interest Payment Date; (ii) any Principal Installments to become due and payable on or before the next date on which such Principal Installment is payable; and (iii) any amounts required to be paid to any bank, securities dealer, financial institution or other party in connection with the Toll Road Senior Lien Revenue Bonds for the payment thereof.

Additionally, the Revenue Indenture provides that regularly scheduled payments due under the Swap Agreements and any related payment (other than a termination payment or a requirement to post collateral) will be paid or otherwise satisfied from funds on deposit in the Debt Service Fund on a parity with the Outstanding Bonds and Parity Notes on the dates and in the manner specified in the Swap Agreements or related agreement. See "TOLL ROAD FINANCIAL INFORMATION - Financial Management Products."

Debt Service Reserve Fund. The Revenue Indenture further requires the establishment of a Debt Service Reserve Fund for the Toll Road Senior Lien Revenue Bonds, including the Bonds, and the maintenance therein, in accordance with the provisions of the Revenue Indenture, of amounts equal to the Debt Service Reserve Fund Requirement. If the Debt Service Reserve Fund contains less than the aggregate Debt Service Reserve Fund Requirement (as defined in APPENDIX A-1– Bonds Terms) for all Toll Road Senior Lien Revenue Bonds, on or before the last day of each month, there must be transferred into the Debt Service Reserve Fund, out of the Revenue Fund, an amount equal to 1/60 of the aggregate Debt Service Reserve Fund Requirement for all Toll Road Senior Lien Revenue Bonds or the amount needed to attain the aggregate Debt Service Reserve Fund Requirement for all Toll Road Senior Lien Revenue Bonds, whichever is less, which transfers must continue each month until the Debt Service Reserve Fund contains the aggregate Debt Service Reserve Fund Requirement.

The County may satisfy all or any portion of its Debt Service Reserve Fund Requirement by purchasing a reserve fund surety policy, surety bond, letter of credit or other similar instrument from a financial institution having a long-term credit rating in one of the two highest generic rating categories from at least two nationally recognized rating agencies and having a credit rating or claims paying ability such that it will not cause any nationally recognized rating agency which then has outstanding rating on the Toll Road Senior Lien Revenue Bonds to be withdrawn or lowered. To satisfy such Reserve Fund Requirement obligations with respect to the Toll Road Senior Lien Revenue Bonds, the County previously acquired separate Reserve Fund Surety Policies issued by separate surety providers. In connection with the delivery of the Bonds, the County may use proceeds of the Bonds to satisfy all or a portion of any increased Debt Service Reserve Fund Requirement or may acquire an additional Reserve Fund Surety Policy. See "RESERVE FUND SURETY POLICIES."

In addition, the County may purchase liquidity facilities or put agreements with certain qualifying financial institutions that enable the County to sell any investments in the Debt Service Reserve Fund at agreed upon prices at any time the proceeds thereof are required to prevent a default in the payment of Debt Service on any Toll Road Senior Lien Revenue Bonds or Parity Obligations. The purchase of such facility will enable the County to invest a corresponding amount in the Debt Service Reserve Fund in Permitted Investments with maturities not exceeding the final maturity on the Toll Road Senior Lien Revenue Bonds and to continuously value such Permitted Investments at not less than the purchase price agreed to in such facility.

Provision for Junior Lien Obligations. The Revenue Indenture permits the establishment of debt service funds, debt service reserve funds and any other funds and accounts required in connection with the issuance of Junior Lien Obligations and the deposit and transfer of Revenues into such funds and accounts after making all required deposits to the Debt Service Fund and Debt Service Reserve Fund but prior to the payment of Project Expenses.

Project Expenses. After the required payments, provisions for payment, deposits and transfers have been made to the Debt Service Fund, the Debt Service Reserve Fund, or funds and accounts required for Junior Lien Obligations, as described above, on or before the last day of each month, to the extent not paid from other sources, Project Expenses will be paid from the Revenue Fund. The County has covenanted to levy, assess and collect an annual maintenance tax (within the limits prescribed by law) sufficient to pay as they become due all Project Expenses for which there are insufficient available Revenues. See "—Maintenance Tax Covenant."

See "TOLL ROAD FINANCIAL INFORMATION - Financial Management Products" for a discussion of termination payments and collateral posting requirements as Project Expenses under the Swap Agreements.

Other Funds. The Revenue Indenture requires the establishment and maintenance of certain other funds. The Operating Reserve, which must be kept in the Revenue Fund, must retain an amount of money equal to two months of Project Expenses, as set out in the County's current annual budget for the Project. The County also must maintain a Renewal and Replacement Fund, to be held by the County, which must contain the amount, if any, required by the County from time to time. Money in the Renewal and Replacement Fund may be used for repairs, replacements, extensions, renewals, betterments, improvements, and reconstruction of the Project that are not Project Expenses, and for transfers to the Debt Service Fund and Debt Service Reserve Fund to maintain the required balances in such funds if no other funds are available for such purpose or for transfers to the Debt Service Fund for the Toll Road Tax Bonds if no other funds are available for such purpose. The Revenue Indenture also requires the County to maintain a Surplus Fund, into which moneys will be transferred from the Revenue Fund after all prior transfers and provisions for payment, including provisions for payment of the then Outstanding Toll Road Tax Bonds, have been made. Moneys in the Surplus Fund may be used for certain expenses related to the Project, for redemption of Toll Road Senior Lien Revenue Bonds or Toll Road Tax Bonds, for toll rate stabilization, and for any other purpose relating to any other powers or functions of the County authorized by law. There is, therefore, no assurance that any surplus Revenues produced in any future period will be retained by the County or be otherwise available to offset any deficit or shortfall in Revenues from operation of the Project in any future periods. See "FLOW OF FUNDS (APPLICATION OF REVENUES)— Subordinate Lien Revenue Bonds and Bonds for Special Toll Road Projects."

In addition, under the terms of the Revenue Indenture, and in order to facilitate compliance by the County with the covenants contained therein regarding the exclusion from federal income taxation of the interest on the Bonds, the County reserves the right to request the Trustee to establish rebate accounts with respect to the Bonds to account for the excess arbitrage profits and interest thereon that must be accounted for, or rebated to the United States of America. See "TAX EXEMPTION."

Additional Toll Road Senior Lien Revenue Bonds and Parity Notes

One or more series of Toll Road Senior Lien Revenue Bonds or Parity Notes in addition to and on a parity with the Outstanding Toll Road Senior Lien Revenue Bonds and other Parity Obligations may be issued under the Revenue Indenture, provided that the following conditions and tests are satisfied:

(i) If such Toll Road Senior Lien Revenue Bonds are being issued to complete the Project, an Independent Traffic Engineer must certify that such series of Toll Road Senior Lien Revenue Bonds is required to be issued to finance Cost of the Project for which there are not funds otherwise available and such Cost of the Project must be incurred in order to complete a Project segment or to make such improvements, replacements, or major repairs thereto as are essential to the operational and structural integrity and safety thereof;

(ii) In the case of Toll Road Senior Lien Revenue Bonds issued to refund any Toll Road Senior Lien Revenue Bonds or Debt Service incurred in connection with the Project, the County's Financial Advisor must provide a certificate containing either (a) a calculation showing that the Aggregate Debt Service on all Toll Road Senior Lien Revenue Bonds that will be Outstanding after the issuance of such refunding series of Toll Road Senior Lien Revenue Bonds will not increase the Aggregate Debt Service in any year that such Aggregate Debt Service would be scheduled to be payable without the issuance of such refunding series of Toll Road Senior Lien Revenue Bonds; or (b) a statement to the effect that the issuance of such refunding series of Toll Road Senior Lien Revenue Bonds is necessary or is intended to cure or prevent an Event of Default; or (c) a calculation demonstrating that such refunding series of Toll Road Senior Lien Revenue Bonds is necessary to refinance and amortize one or more Principal Installments which cause Aggregate Debt Service in the Fiscal Year in which they are payable to exceed the average annual Aggregate Debt Service by more than 20%; or

(iii) For all additional series of Toll Road Senior Lien Revenue Bonds or Parity Notes for which the requirements of (i) or (ii) above are not met, and as an alternative to those requirements, the following must be provided:

(a) An Accountant must certify that for any 12 consecutive months out of the 24 months preceding the month in which the order is adopted authorizing the issuance of an additional series of Toll Road Senior Lien Revenue Bonds, the coverage of Aggregate Debt Service for such 12 months on all Toll Road Senior Lien Revenue Bonds Outstanding prior to the issuance of the additional series of Toll Road Senior Lien Revenue Bonds must either be:

(1) at least 1.25 times Net Revenues during such period, as adjusted for any toll increases placed in effect prior to the date the order is adopted authorizing the issuance of the particular additional series of Toll Road Senior Lien Revenue Bonds; or

(2) at least 1.50 times Revenues during such period, as adjusted for any toll increases placed in effect prior to the date the order is adopted authorizing the issuance of the particular additional series of Toll Road Senior Lien Revenue Bonds; and

(b) An Independent Traffic Engineer must provide a certificate or report for the five-year period ending with the fifth complete Fiscal Year following the date that the Project (or any pooled project to be financed with such series of Toll Road Senior Lien Revenue Bonds or Parity Notes) is to be placed in service containing estimates for each Fiscal Year during such period by such Independent Traffic Engineer of the Aggregate Debt Service on all Toll Road Senior Lien Revenue Bonds (including the series of Toll Road Senior Lien Revenue Bonds to be issued and any additional series of Toll Road Senior Lien Revenue Bonds estimated to be required by such Independent Traffic Engineer to finance the completion of the Project or the pooled project being financed with such series of Toll Road Senior Lien Revenue Bonds), together with estimates of Revenues or Net Revenues (based upon such assumptions as he will set forth in his certificate or report), and calculating that in each of such five Fiscal Years the estimated Aggregate Debt Service will be covered either:

(1) At least 1.25 times Net Revenues during such period; or

(2) At least 1.50 times Revenues during such period.

(c) In lieu of satisfying the coverage test with respect to future Aggregate Debt Service by providing a certificate or report of an Independent Traffic Engineer, the County may alternatively provide an Accountant's certification that for any 12 consecutive months out of the 24 months preceding the month in which the order is adopted authorizing the issuance of such additional series of Toll Road Senior Lien Revenue Bonds or Parity Obligations, either the historical Revenues or historical Net Revenues during such period satisfy the requisite coverage test with respect to the future Aggregate Debt Service on all Toll Road Senior Lien Revenue Bonds and Parity Obligations (including the series then being issued and any additional series estimated to be required to complete any Project Segment being financed with such series) for the five year period that would be covered by the certificate or report of such Independent Traffic Engineer.

Additional Parity Obligations

In addition to providing for the issuance of and security for Toll Road Senior Lien Revenue Bonds, the Revenue Indenture provides that the County may issue or incur, on a parity with Toll Road Senior Lien Revenue Bonds, other “Parity Obligations” including (i) ”Parity Notes” (pursuant to commercial paper programs or otherwise), (ii) reimbursement obligations with respect to “Parity Credit Agreements” acquired to enhance the security for any Toll Road Senior Lien Revenue Bonds or Parity Notes, and (iii) payment obligations pursuant to certain qualifying “Parity Hedge Agreements” (such as the Swap Agreements) with respect to the payment of Debt Service on any Toll Road Senior Lien Revenue Bonds or Parity Notes. See “TOLL ROAD FINANCIAL INFORMATION – Toll Road Commercial Paper Notes.”

Generally, the issuance or incurrence of such Parity Obligations secured on a parity with Toll Road Senior Lien Revenue Bonds will be subject to the County's compliance with the same tests (including revenue coverage tests) that must be satisfied in connection with the issuance of additional Toll Road Senior Lien Revenue Bonds, (see “FLOW OF FUNDS (APPLICATION OF REVENUES)—Additional Toll Road Senior Lien Revenue Bonds,” above) except that (i) for purposes of calculating Debt Service on Parity Obligations, in the case of issuance of Parity Notes (including commercial paper notes), the principal amount thereof is deemed to be continuously refinanced under a program that will provide for approximately level amortization of debt service over a period of 30 years after the expiration of any period of time for which capitalized interest is provided, (ii) the County may combine payment obligations under Parity Hedge Agreements with interest due on those Toll Road Senior Lien Revenue Bonds or Parity Notes to which such Parity Hedge Agreements relate in order to obtain a combined Debt Service calculation (e.g. synthetic rate) and (iii) future payments of interest or interest components that are variable, adjustable or not ascertainable at the time of calculation will be estimated in the same manner currently provided for Toll Road Senior Lien Revenue Bonds in the Revenue Indenture (See “APPENDIX A —GLOSSARY OF TERMS”—definition of “Debt Service”) and (iv) once Parity Notes are initially authorized, they may be continually refunded and refinanced through the issuance of other Parity Notes or Toll Road Senior Lien Revenue Bonds without having to resatisfy such revenue coverage tests.

Subordinate Lien Revenue Bonds and Bonds for Special Toll Road Projects

In addition to the Toll Road Senior Lien Revenue Bonds described above, the County reserves the right to issue, for any lawful purpose, bonds, notes, or other obligations secured, in whole or in part, by liens on the Revenues that are junior and subordinate to the lien on Revenues securing payment of the Toll Road Senior Lien Revenue Bonds and Parity Obligations. (Such bonds, notes, or other obligations may be secured by liens on the Revenues that are senior to the lien on Revenues securing payment of the Toll Road Tax Bonds.) Under such authority, the County has further secured the Toll Road Tax Bonds by a lien on Net Revenues that is subordinate to the lien on Revenues of the Toll Road Senior Lien Revenue Bonds. See “FLOW OF FUNDS (APPLICATION OF REVENUES)—Flow of Funds,” above. To the extent that surplus Revenues are used to pay the Toll Road Tax Bonds or other amounts required under the Tax Indenture, or for any other authorized purpose, such Revenues will not be available to offset any deficit or shortfall that may occur in Revenues from operation of the Project in any future periods.

The County also reserves the right to issue revenue bonds secured by liens and pledges of revenues and proceeds derived from special toll road projects that are not a part of the Project. A toll road facility will be deemed not to be part of the Project if it is declared by the County not to be part of the Project, the costs of construction, acquisition, and improvement are paid from proceeds of a financing transaction other than the issuance of bonds payable from Revenues of the Project, and all maintenance and operation expenses are payable from sources other than Revenues of the Project, but only to the extent that and for so long as all or any part of the revenues or proceeds of the toll road facility are or will be pledged to secure the payment or repayment of such costs of construction, acquisition, and improvement under such financing transaction.

AMENDMENTS TO THE REVENUE INDENTURE

In connection with the issuance of the Series 2007A Toll Road Senior Lien Revenue Refunding Bonds (the "Series 2007A Bonds") and the Series 2007B Toll Road Senior Lien Revenue Refunding Bonds (the "Series 2007B Bonds"), the County proposed two amendments (each a "2007 Amendment" and, collectively, the "2007 Amendments") to the Revenue Indenture.

The first 2007 Amendment, when it becomes effective, will provide that the current credit rating requirement for a provider of a Parity Hedge Agreement may be satisfied by a third party that provides credit support for such Parity Hedge Agreement. Specifically, the first 2007 Amendment will delete the definition of "Parity Hedge Agreement" in the Revenue Indenture in its entirety and replace it with the following:

> "Parity Hedge Agreement" shall mean any agreement between the County and a qualifying financial institution (as described in the following sentence) for the purpose of providing an interest rate swap, cap, collar, floor, forward or other hedging mechanism, arrangement or security, however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on any portion of any Bonds or Parity Notes. A Parity Hedge Agreement may only be entered into with a financial institution which (a) for a transaction having a term of less than ten years, has long-term credit ratings in one of the three highest generic rating categories by at least two nationally recognized rating services or (b) for a transaction having a term of ten years or longer, has at the time of entering into such transaction a long-term credit rating in one of the two highest generic rating categories by at least two nationally recognized rating services; provided, however, that such rating requirement may be satisfied by a third party with the requisite rating with whom the financial institution and/or the County have a contractual arrangement pursuant to which such third party provides credit support for the Parity Hedge Agreement."

The section to be amended by the first 2007 Amendment corresponds to the definition of the term "Parity Hedge Agreement" in "APPENDIX A — GLOSSARY OF TERMS - Bond Terms."

The second 2007 Amendment, when it becomes effective, will allow the County to enter into a contract with any person for the additional purposes of designing, developing, financing, constructing, extending, or expanding the Project or any part thereof. Specifically, the second 2007 Amendment will delete Section 721 of the Revenue Indenture in its entirety and replace it with the following:

> "Section 721. Contracts with Other Persons. The County reserves the right to enter into contracts with any Person:
>
> 1. providing for the joint construction, acquisition, improvement, operation, repair, maintenance or replacement of the Project or any part thereof; or
>
> 2. to design, develop, finance, construct, maintain, repair, operate, extend or expand the Project or any part thereof."

The 2007 Amendments will become effective upon the earlier of (i) written consent being given by the Owners (or where applicable the bond insurer) of at least two-thirds in principal amount of the Toll Road Senior Lien Revenue Bonds Outstanding at the time such consent is given, or (ii) the date that all Outstanding Bonds, Parity Notes, and other Parity Obligations as of the date of issuance of the County's Series 2007A and Series 2007B Bonds (but not including the Series 2007A and Series 2007B Bonds) will cease to be Outstanding. See "APPENDIX B - SUMMARY OF THE REVENUE INDENTURE - Amendments" for a description of the Revenue Indenture provisions providing for amendments.

The Owners of the Bonds will be deemed to have consented to the 2007 Amendments at the time they purchase the Bonds. Upon the issuance of the Bonds, the second 2007 Amendment may have sufficient bondholder approval to become effective.

See "SCHEDULE D-1—OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS" included as APPENDIX D-1 to this Official Statement for the current outstanding principal amount of Toll Road Senior Lien Revenue Bonds.

THE COUNTY

Administration of the County

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 appointments of certain County officials.

The Commissioners Court is comprised of County Judge, Ed Emmett, who is the presiding officer of the Commissioners Court and County Commissioners El Franco Lee, Sylvia R. Garcia, Steve Radack, and Jerry Eversole, each of whom represents one of the four precincts into which the County is divided. The members of Commissioners Court are each elected by the voters to a four-year term of office.

The County Treasurer, Orlando Sanchez is an elected official of the County and the chief custodian of County funds whose 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 Assessor and Collector of Taxes, Leo Vasquez, is an elected official of the County and is responsible for assessing and collecting ad valorem taxes in the County.

The County Clerk, Beverly B. Kaufman, is an elected official of the County and serves as Ex-Officio Clerk of the Commissioners Court.

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

The County Auditor, Barbara Schott, C.P.A., is responsible for substantially all County accounting and internal audit functions. The County Auditor is appointed for a two-year term by the State District Judges of Harris County.

The County Budget Officer, Richard L. Raycraft, Ph.D., is appointed by Commissioners Court and is responsible for preparing proposed annual budgets.

The Director of the Office of Financial Services, Edwin Harrison, CIO, is also the County Investment Officer and is responsible for both County investments and debt management.

Public Infrastructure Department

In June 1998, the Commissioners Court consolidated the County Engineering Department, the Harris County Toll Road Authority and the Harris County Flood Control District (the “Flood Control District”) into a new department, the Harris County Public Infrastructure Department. Those three agencies became divisions of the Public Infrastructure Department, each with its own executive director. In March 2007, the Facilities and Property Management Department was added as a new division of the Public Infrastructure Department. Arthur L. Storey, Jr., P.E. was named Executive Director of the Public Infrastructure Department. Mr. Storey retained his previous title of Executive Director of the Flood Control District and was also named County Engineer and Executive Director of the Harris County Toll Road Authority.

The principal objectives of the Public Infrastructure Department are increased efficiency and flexibility of operations, cost savings through elimination of redundancies and improved long-range fiscal effectiveness through the development of five and ten-year capital improvement programs coordinated with those of outside agencies, such as cities, the Texas Department of Transportation (“TxDOT”), and the Metropolitan Transit Authority of Harris County, Texas (“METRO”).

HARRIS COUNTY TOLL ROAD AUTHORITY

General

The Harris County Toll Road Authority (the "Authority" or "HCTRA") was established pursuant to Chapter 284, Texas Transportation Code, as amended, by an order adopted by the Commissioners Court in September 1983. The Authority currently operates as a division of the County's Public Infrastructure Department. Through its operating board, which is composed of the members of the Commissioners Court, the 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 Authority was created for the sole purpose of implementing the County's toll road projects and does not have any responsibilities with respect to the other road projects of the County, except for road projects undertaken in connection with the Authority's toll road connectivity program and other non-tolled projects that the Authority may undertake, to the extent permitted by the Indentures and applicable state law, including SB 792 (discussed below), as Commissioners Court may determine. The power to impose ad valorem taxes may be exercised only by Commissioners Court.

Project Operations and Management

The Authority is organized into three separate operating units: (i) the Services Division, which directs the Information Technology, EZ TAG Services, Violation Enforcement, Call Center, and Service Quality Sections; (ii) the Engineering Division which manages engineering projects, rights of way, and roadway maintenance; and (iii) the Operations Division, which oversees toll operations, revenue collections, human resources, facilities and inventory, and incident management and security. All construction projects are managed by the Construction Programs Division of the County's Public Infrastructure Department. The Authority currently has approximately 900 employees. The management of the Authority is the responsibility of its Director, reporting to the Deputy Executive Director of the Public Infrastructure Department. The Authority is accounted for as an Enterprise Fund of the County and relies on charges from users of the toll road system to fund operations, debt service, and future projects. Led by its Executive Director Art Storey, the Authority is organized under its Director, Gary Stobb, P.E., and operates through multiple divisions that include: Toll Operations, Roadway and Facilities Maintenance, Engineering, Information Technology (includes electronic toll collection systems), Customer Service (includes EZ TAG services), Finance, Legal, Human Resources, Special Projects, Communications, and Incident Management.

THE TOLL ROAD PROJECT

General

The existing network of free highways, roads and streets in the County and the greater Houston area is extensive. Nevertheless, for a number of years many major thoroughfares in the area have carried traffic well in excess of their design capacities during commuting hours. In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County's traffic problems by authorizing the County to issue up to $900,000,000 of bonds secured by a pledge of its unlimited ad valorem taxing power. Later in September 1983, the Commissioners Court created the Authority as a department of the County. The Authority was subsequently reorganized as a division of the County's Public Infrastructure Department. See "HARRIS COUNTY TOLL ROAD AUTHORITY."

The Hardy Toll Road and the Sam Houston Tollway-West, the first two components of the Project, were completed in 1987 and 1990, respectively. Subsequently, in May 1994, the County purchased from the Texas Turnpike Authority (the "TTA") the Jesse H. Jones Memorial Bridge toll facility, which was renamed the Sam Houston Ship Channel Bridge, and the portion of Beltway 8 approaching and spanning the Houston Ship Channel (together, the "Bridge"). As a part of the County's purchase of the Bridge, the County reached agreements with TxDOT for contributions of federal funds for construction of Sam Houston Tollway-East and Sam Houston Tollway-South and state funds for interchange construction and right-of-way for construction of the Project. Proceeds of Toll Road Bonds, together with federal and state financial participation, were used in the development of Sam Houston Tollway-East and Sam Houston Tollway-South. To comply with the requirements of federal funding, the County, the State and the Federal Highway Administration (the "FHWA") entered into an agreement in 1994 (the "1994 Tri-Party Agreement"). In the 1994 Tri-Party Agreement the County agreed, among other things, to use toll revenues derived from the Project (i) first, for debt service, (ii) then, for a reasonable return on investment of any private person financing the Project, and (iii) finally, for the costs of operating and maintaining the Project. The 1994 Tri-Party Agreement also provides that the County may use surplus toll revenues for other lawful purposes, including federal aid projects and other purposes specified in the agreement.

The Indentures permit the County to acquire and construct other portions of the Project, including all or any portion of Beltway 8 (which encircles a major portion of the Houston area of which the Sam Houston Tollway is a part) and to make improvements, extensions and betterments of the Project. In addition, the Indentures allow the County to pool the Project, in whole or in part, with one or more other projects or systems and to issue additional Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds for all such purposes.

In September 2001, the Commissioners Court adopted a resolution that pooled certain projects with the Beltway 8 and Hardy Street Project. For a description of such projects, see the definitions of "Project" and "Pooled Project" in APPENDIX A.

In June 2005, in connection with its consideration of the five year capital improvement program for the Authority, the County undertook an analysis that resulted in a reevaluation and prioritization of the future development of the toll road system, including the additional components included in the County's September, 2001 pooling resolution. The prioritized list of projects included the six "grandfathered" projects described in paragraph (1) of the section that follows, captioned "Statutory Limitations of the Development of Pending Toll Projects" and a portion of the proposed Grand Parkway project. This analysis recognized that as of that time the County had undertaken two components (the I-10 West Toll Lanes and the Westpark Tollway) and that the Fort Bend County Toll Road Authority had undertaken two other components (the Fort Bend Parkway Tollway and the Fort Bend Westpark Tollway) identified in the pooling resolution. The analysis also resulted in a decision that the County would not pursue three other components identified in the pooling resolution (the State Highway 87 Toll Bridge, proposed thoroughfares across Barker Reservoir and the Southern Pacific Rail Corridor). Further, the County determined at the time that, while it may continue to evaluate them, it would take no further action in the near term on certain other components (the Northwest Corridor Tollway, the Grand Parkway Tollway South, the Grand Parkway Tollway East and State Highway 35 South). See "Status of Market Valuation Projects" for additional information.

Statutory Limitations on the Development of Pending Toll Projects

The 80th Regular Session of the Texas Legislature concluded on May 28, 2007. During the session, the Texas Legislature passed Senate Bill 792, which includes a framework for cooperation between local toll authorities and the Texas Department of Transportation with regard to the future development and financing of toll roads and other transportation projects, including provisions relating to access to and use of state highway right-of-way by local toll authorities. Senate Bill 792 has the following major features that relate to Harris County:

(1) Harris County may proceed to develop six pending toll projects without any payment to TxDOT, except reimbursement for actual, historical costs incurred by TxDOT for land used in the projects. (Any reimbursement amount must be spent by TxDOT in Harris County or adjacent counties.). The pending projects include the following (or functional equivalents of the following): (1) Beltway 8 Tollway East (between US 59 North and US 90 East); (2) the Hardy Downtown Connector; (3) the US 290 Toll Lanes (from IH 610 West to proposed SH 99, or the Grand Parkway); (4) State Highway 288 (between US 59 and Grand Parkway); (5) Fairmont Parkway East; and (6) the South Post Oak Road Extension (as needed).

(2) Through August 31, 2011, all other toll roads in Harris County must be developed using a market valuation or public concession procedure managed jointly by the County and TxDOT. In each instance, however, Harris County has the first option to undertake the new project, once the terms and procedures for its development are established by Harris County and TxDOT (except for the Grand Parkway, as described below). If Harris County does not exercise the option, then TxDOT may undertake the toll project, but must do so on the same terms that Harris County declined. Any market value of the project, or concession obligation, must be satisfied – either by the County or TxDOT, depending on which entity is undertaking the project – by providing an agreed time schedule for other transportation projects, including non-toll, free road improvements, with an estimated cost equal to the amount of the market valuation. The bill provides authorization for the County to issue bonds or other obligations to finance the public concession payment and the costs of such transportation projects. Subject to the expiration date of and a moratorium in Senate Bill 792 on comprehensive development agreements ("CDAs"), either Harris County or TxDOT could undertake any other toll road as a CDA.

(3) Also through August 31, 2011, the proposed Grand Parkway Project must be developed under the market valuation or public concession procedure, under which Harris County has the first option to develop the project. (Such development is not subject to the moratorium on CDAs that runs through August 31, 2009.) As a "pilot project" proposed by TxDOT, for the first two years, through August 31, 2009, the Transportation Policy Council ("TPC") of the Houston-Galveston Area Council ("HGAC"), which is the metropolitan planning organization for the 13-county region that includes Harris County, must approve the terms and conditions for development of the Grand Parkway. Thereafter, through August 31, 2011, Harris County and TxDOT are responsible for approval of such terms and conditions. Throughout the four-year term of the market valuation procedure, Harris County and TxDOT must mutually determine which entity will develop the market valuation. If the County and TxDOT cannot so determine, the project may not be developed by either the County or TxDOT.

(4) After August 31, 2011, new toll roads in Harris County (including the Grand Parkway) may be developed independently by the County, without the market valuation procedure that is established by Senate Bill 792, to the extent development of a road has not otherwise been undertaken. The County's primary responsibility for toll road development within its boundaries is expressly recognized in this bill. However, the provisions that afford Harris County the first option to develop new toll roads are not extended to include any projects other than the six pending projects described above. Further, the highway right-of-way and access provisions that apply to the pending projects

and any projects undertaken through the market valuation procedure do not apply to other new projects after August 31, 2011.

(5) Harris County is provided with a number of new powers to develop toll roads, free roads and other transportation projects. Subject to the moratorium, the County has all CDA powers, as well as the powers of a regional mobility authority (RMA), if the County affirmatively determines to use such powers. Subject to toll road bond covenants, the County may use surplus revenues of its toll road system for free roads.

(6) Senate Bill 792 requires that TxDOT use any CDA payments resulting from any private toll road development in Harris County within the boundaries of Harris County and adjacent counties. State and federal highway and road funding may not be reduced or diluted as a result of a CDA payment or performance of a concession obligation by the County or TxDOT.

Status of Market Valuation Projects

General**.** In June 2007, the Texas Department of Transportation ("TxDOT") identified the Grand Parkway Project (SH 99) and SH 35 as "market valuation" projects under Senate Bill 792.

Before development of a proposed market valuation project, such as the proposed Grand Parkway and SH 35 projects, may go forward, the County and TxDOT must agree on business terms for the project's development, construction, and operation. With respect to the Grand Parkway project, through August 31, 2009, HGAC also has approval rights over such terms pursuant to Senate Bill 792. The business terms must include (but are not necessarily limited to) an initial toll rate and a toll-rate-escalation methodology. If the County and TxDOT do not agree on the basic business terms, the project cannot proceed. If the parties agree on the basic business terms, they then prepare or commission a "market valuation" of the proposed project that (i) is based on the project's agreed business terms, and (ii) takes into account (a) a traffic and revenue study of the project using assumptions agreed upon by TxDOT and the County, (b) an agreed project scope, (c) market research, (d) the estimated cost to finance, construct, maintain, and operate the project, and (e) other information determined appropriate by the County and TxDOT. After the market valuation is complete, the County has six months to exercise an option to develop the proposed project. However, as a condition to developing the proposed project, the County must commence the environmental clearance process for the project and enter into a contract for the project's construction within certain specified time periods and either (i) commit to make a payment to TxDOT in an amount equal to the market value of the proposed project (subject to certain reductions), which amount TxDOT must use for additional projects in the Authority's region, or (ii) commit to construct additional projects in HCTRA's region with estimated construction costs equal to the market value of the proposed project (subject to certain reductions). SB 792 provides that the County and TxDOT may agree to waive the market valuation process.

Grand Parkway. The Grand Parkway Project is a proposed circumferential scenic highway of approximately 180 miles which is expected to be constructed as 11 segments traversing seven counties (Harris, Fort Bend, Brazoria, Galveston, Montgomery, Liberty, and Chambers Counties) and encircling the Greater Houston region. Currently, the project consists of the proposed Segment D, consisting of 19 miles from the Southwest Freeway to the Katy Freeway, and serving as a non-tolled state highway and a 9 mile portion of Segment I2 (opened March 25, 2008) from the East Freeway to FM 1405 near Baytown, Texas on which the collection of tolls will began in 2009. It is currently estimated that the Grand Parkway Project will cost in excess of $5 billion.

Under Senate Bill 792, the Grand Parkway Project is subject to the market valuation provisions of the bill prior to its construction. See "Statutory Limitations on the Development of Pending Toll Projects" above. The County, on behalf of itself and six surrounding counties through delegation of authority, has negotiated an agreement with TxDOT regarding the terms and conditions for the development of the project. As a result of recent negotiating sessions, both TxDOT and the Counties have agreed to waive the market valuation process. In addition, Harris County and TxDOT have also approved an advanced funding agreement that authorizes HCTRA to proceed with the development, design, construction, operation and maintenance of Segment E and a portion of Segment D of the Grand Parkway (prior to the selection of a developer for the entire Grand Parkway Project), with HCTRA funding an estimated $400 to $500 million in development and construction costs. The counties now have a 6 month due diligence period (expiring September 2009) to determine whether to exercise local primacy for the right to develop the project. Once a developer is chosen (whether the Grand Parkway counties, TxDOT or a private party), the developer will be required to reimburse HCTRA for the costs incurred under the advanced funding agreement. The advanced funding agreement also allows HCTRA to collect tolls from Segment E until a successor developer is selected.

Additional negotiating sessions are expected to continue during 2009. Wilbur Smith & Associates has prepared a preliminary traffic and revenue study. The parties have reached an agreement of terms and conditions for an initial toll rate and a toll rate escalation methodology based on HCTRA's existing tolling policy and experience and also a general understanding on the project scope and expected cost of the project. The Grand Parkway counties have agreed to waive the market valuation process executed by TxDOT on March 25, 2009 and will proceed to negotiate an agreement for the development of the project, and may elect to exercise their local option primacy rights under SB 792 to undertake development of the project. Such a determination would likely not be made until after the preparation and review of an acceptable investment-grade traffic and revenue study, engineering and financing reports, and with respect to HCTRA, an analysis of the potential impact on its existing toll road system and its ability to address other priority funding needs. HCTRA's objective at this point in the process is to act as a regional mobility partner with TxDOT and the surrounding Grand Parkway counties in evaluating the viability of this project as an option to improve mobility, reduce congestion and provide a hurricane evacuation route for the region. Except for the advanced funding agreement for Segment E and a portion of Segment D, no decisions have been made about the financing and development structure for the Grand Parkway Project and the various options for consideration could include stand-alone or system based finance alternatives, as well as private party participation. A key factor in determining whether HCTRA will consider participation in the project will be the impact on its credit profile (including any expected revenue contributions to the project, reimbursement for prior costs and the ability to service any project related debt). Other key factors will include an analysis of toll road system revenue projections and a financing capacity analysis for the development costs of the prioritized projects and the funding of expected operations and maintenance, capital repair and connectivity program costs.

State Highway 35**.** The State Highway 35 project is a proposed 20 mile toll project between Old Spanish Trail Road in Houston to the Grand Parkway South ("SH 99"). To date, TxDOT and the County have not commenced negotiations with respect to this project.

H.R.1: American Recovery and Reinvestment Tax Act of 2009

On February 17, 2009, the President of the United States signed the American Recovery and Reinvestment Tax Act of 2009 (the "ARRA") into law. The purpose of the ARRA is to provide a stimulus to the United States economy in the wake of the current economic downturn. The legislation includes a wide range of stimulative measures, including $90.8 billion in public infrastructure funding. For funds allocated to transportation projects, the Federal Highway Administration ("FHWA") has instructed state transportation officials throughout the country to give priority to projects that can be completed within 3 years, that are in economically distressed areas, and that maximize job creation.

On March 5, 2009, the governing body of TxDOT, the Texas Transportation Commission, approved the use of $1.2 billion of the funds allocated to the state as part of the economic stimulus package on 29 transportation projects across the state, including Segment E of the Grand Parkway Project. Commissioners Court has approved the advance funding agreement and approximately $30 million in engineering contracts for the design of Segment E. On July 28, 2009, Commissioners Court voted to apply for $181 million in federal stimulus funds to pay toward the cost of construction of Segment E.

Feasibility Studies

Wilbur Smith Associates of New Haven, Connecticut ("WSA") has conducted a series of traffic and revenue studies for the County, including comprehensive traffic and revenue studies in 1984, 1989 and 1994 (the "Prior Studies"). WSA completed a traffic and revenue update in June 2006. As part of the traffic and revenue update, WSA evaluated alternative rate structures and pricing strategies that may be needed in the future, both to enhance revenue and assist with management of traffic demand. Other revenue studies have been performed by WSA to prioritize components of the Project. The County expects to make available to a nationally recognized municipal securities information repository, any traffic and revenue studies that are prepared and finalized to support an investment grade rating for the financing of segments of the Project. Copies of finalized traffic and revenue studies are not included in this Official Statement, but will be, subject to completion, available from the County upon request and payment of applicable charges or may be obtained through such nationally recognized municipal securities information repository. See "CONTINUING DISCLOSURE OF INFORMATION—Availability of Information."

A feasibility study is being completed for Sam Houston Tollway-East, a proposed 13 mile segment along Beltway 8, between US 90 and US 59. Construction is expected to begin in July of 2009. A revised preliminary traffic and revenue study is underway for the proposed Hempstead Highway (US 290) Toll Lanes project. This project is expected to consist of a minimum of four-lane toll road from IH 610 to the proposed Grand Parkway Project (SH 99), and run along a proposed route adjacent to the US 290 corridor.

To assist with the analysis of the Grand Parkway Project under the provisions of Senate Bill 792 (see "Statutory Limitations in the Development of Pending Toll Projects" above), Charles River Associates ("CRA") was hired by HGAC to study certain aspects of the Grand Parkway Project. See "-Status of Market Valuation Projects." Additionally, the County and TxDOT jointly engaged WSA to prepare a traffic and revenue report for the Grand Parkway Project and CRA to provide a peer review analysis of such report. The County has also negotiated a contract with WSA regarding a System-wide investment grade study. The System-wide investment grade study is expected to be completed in 2009.

Future Component Facilities

As provided in SB 792, the Authority is progressing with the development of the six prioritized projects described above, including the Sam Houston Tollway East and Hardy Connector which are described in further detail below. The Authority is currently discussing and negotiating a memorandum of understanding with TxDOT to construct the proposed Hempstead Highway (US 290) Toll Lanes project. This facility will provide much needed relief to a US 290 corridor that has seen significant residential development occur west of the Sam Houston Tollway. Preliminary engineering and cost estimating is underway. In addition, the three remaining projects, even though previous studies have been completed, will be re-reviewed in order to determine how the Authority will proceed. The projects are: Fairmont Parkway and Red Bluff Road Tollway connecting the Sam Houston Tollway-East to State Highway 146 in southeast Harris County; State Highway 288 Tollway from US 59 south, in southern Harris County, to SH 6, in Brazoria County; and extending the existing Fort Bend Parkway from US 90A to IH-610.

Hardy Toll Road

General. The Hardy Toll Road extends northward from Spur 548, a 1.2 mile highway segment connecting the toll road and IH-610 (the inner "loop" surrounding Houston's central business district), along an alignment generally adjacent and parallel to Hardy Road, to a northern terminus with IH-45 near the Harris-Montgomery county line, a distance of 21.7 miles. The southern end of the Hardy Toll Road is approximately five miles north of downtown Houston. Downtown Houston is accessible from the Hardy Toll Road by way of IH-610 to or from IH-45 or US 59 (Eastex Freeway), by way of surface streets or in the future by way of the Downtown Connector (as described below). The Hardy Toll Road passes approximately three miles west of the Houston Intercontinental Airport, which is accessible by means of the Airport Connector. Completed in January 2000 the Airport Connector (1.8 mile extension of Hardy plus 1.1 miles of non-tolled road constructed by the City of Houston) provides a direct link to John F. Kennedy Boulevard and the George Bush Intercontinental Airport. Alternative free travel choices to the airport are Beltway 8-North ("Sam Houston Parkway") or Greens Road.

The northern section of the Hardy Toll Road ("Hardy Toll Road-North Section"), which has four lanes, from FM 1960 to IH-45, and six lanes, from Beltway 8-North to FM 1960, extends 13.3 miles and opened on September 20, 1987; and the southern section ("Hardy Toll Road-South Section"), which has six main lanes, extends 8.4 miles from IH-610 to Beltway 8-North and opened June 28, 1988. There are twelve access points along the Hardy Toll Road, which provide either ingress to or egress from the toll road, or in some instances both ingress and egress.

Planned Expansion**.** The Authority has studied and is currently designing a connection from the southern terminus of the Hardy Toll Road to the central business district of Houston referred to as the Hardy Downtown Connector. Coordination is underway with TxDOT, Houston Belt and Terminal Railroad (HB&T), and the City of Houston for the connection points, right of way, and necessary reconstruction of streets for the project to be constructed. In August 2006, TxDOT approved the connection of the Downtown Connector to US 59. The City of Houston agreed to the necessary street closures in December 2007, and further progress on the project is subject to negotiation of a contract with HB&T for the railway realignment.

Sam Houston Tollway

General. Overall the Sam Houston Tollway, which extends west from IH-45 North to IH-10 East, including the Bridge, is approximately 61 miles in length. The Sam Houston Tollway was constructed and opened or acquired in several sections and currently consists of the components described below. The operation and functional characteristics of the existing plazas are not functioning efficiently with today's needs. With the increase in traffic on the system, the plazas are planned to be upgraded across the system. This includes widening narrow lanes, upgrading the equipment used in the collection booths, and providing dedicated electronic tolling lanes.

Sam Houston Tollway-North. The Sam Houston Tollway-North (formerly identified as Sam Houston Tollway-West) extends a distance of 9.6 miles from approximately three miles north of US 290, at approximately Fallbrook Drive, east to the vicinity of IH-45 at Beltway 8-North near Greenspoint, a major commercial retail and office development. The eastern terminus of the Sam Houston Tollway near IH-45 also provides access to Houston Intercontinental Airport by way of Sam Houston Parkway. This section opened on July 8, 1990 and currently consists of eight main lanes, except for one segment from West Road to Gessner Road which has only six lanes. Construction has begun to widen such segment to eight lanes.

Sam Houston Tollway-West. The Sam Houston Tollway-West (formerly known as the West Belt Toll Road) extends a distance of 17.9 miles from its southern interchange with US 59 (Southwest Freeway) near Roark Road northward across IH-10 to approximately three miles north of US 290, at approximately Fallbrook Drive. The southern section of the Sam Houston Tollway-West, from the southern terminus to IH-10, opened on June 29, 1988, a distance of 8.6 miles through an area already developed for residential and commercial purposes where traffic congestion problems are especially acute. The central section of the Sam Houston Tollway-West, a distance of 6.3 miles from IH-10 to US 290, opened on June 24, 1989. The northernmost section of the Sam Houston Tollway-West was constructed at the same time as Sam Houston Tollway-North, from US 290 to Fallbrook Drive, a distance of 3.0 miles. This section of the tollway has eight mainlanes.

Sam Houston Tollway-East. The Sam Houston Tollway-East, which opened on July 1, 1996, extends approximately eight miles between SH 225, the southern terminus of the Bridge, and IH-45 South. As noted above, the Bridge is included in this section. The Bridge, which opened on May 6, 1982, is located approximately seven miles east of IH-610 and on the route of Beltway 8 approximately 12 miles east of downtown Houston. It crosses the Houston Ship Channel to connect IH-10 with SH 225, a distance of approximately 4.2 miles, including the bridge structure of approximately 10,450 feet. The Bridge provides two traffic lanes in each direction and includes approaches, interchanges, toll plazas, equipment, buildings and other facilities. From its southern terminus at an interchange with SH 225, the Bridge extends northward, crossing over the Southern Pacific and Port Terminal Railroad tracks and Tenneco Road. It then rises over the Channel and returns to near grade on the north side of the Channel, where toll collection and administration facilities are located. The Bridge continues in a northerly direction, crossing over the Missouri Pacific Railroad and Jacintoport Boulevard to its northern terminus, an interchange connection with IH-10. The main channel unit of the Bridge is of the concrete box girder design which provides for three spans of 375 feet, 750 feet and 375 feet. The Bridge design includes a provision for the possible future construction of a companion parallel bridge immediately to the west in the event that additional traffic capacity is required. The Bridge, which forms a link in the eastern section of Beltway 8, was constructed to alleviate traffic congestion in the highly industrialized petrochemical complex along the Channel. It serves both industrial and commuter traffic moving between the areas of South Houston, Deer Park and Pasadena on the south and Galena Park, Jacinto City and unincorporated areas of the County on the north.

In addition, the Authority will begin construction of the last segment of the Sam Houston Tollway in July 2009. This section will have six mainlanes added to the existing frontage roads. The beginning date is dependent upon an agreement with TxDOT in accordance with SB 792. The approved environmental update submitted by HCTRA was received on August 17, 2008.

Sam Houston Tollway-South. Sam Houston Tollway-South, which opened in two segments on March 1, 1997 (east segment) and May 3, 1997 (west segment), extends approximately 21 miles between IH-45 South and US 59 South. This section of the tollway has four mainlanes. The design of widening the west segment to eight mainlanes is currently underway. Construction of this expansion is planned to begin in 2009.

1994 Tri-Party Agreement. Proceeds of Toll Road Bonds, together with federal and state financial participation, were used in the development of Sam Houston Tollway-East and Sam Houston Tollway-South. To comply with the requirements of federal funding, the County, the State and the FHWA entered into an agreement in 1994 (the "1994 Tri-Party Agreement"). In the 1994 Tri-Party Agreement, the County agreed to use all toll revenues derived from the Project (i) first, for debt service, (ii) then for a reasonable return on investment of any private person financing the Project, and (iii) finally, for the costs of operating and maintaining the Project, including reconstruction, resurfacing, restoration and rehabilitation, that such toll revenues shall be applied as provided in the Indentures, provided that revenues deposited into the Surplus Fund pursuant to the Indentures may be used by the County for any other purpose relating to any other provisions or functions of the County as permitted by the Indentures, subject to provisions of the 1994 Tri-Party Agreement restricting use of revenues to any purpose for which federal bonds may be obligated under applicable federal law.

Westpark Tollway

The Westpark Tollway is a four-lane, entirely automated toll road which initially extended from IH-610 West to SH 6, (generally following the former Southern Pacific rail corridor and running parallel to the existing Westpark Drive) for a distance of approximately 12 miles. Phase I opened in May of 2004 and phase II opened in October of 2004. An extension of approximately three miles of the Westpark Tollway from SH 6 to FM 1464 was opened in June of 2005. A direct connection from southbound Beltway 8 to eastbound Westpark Tollway opened in December 2005.

Katy Managed Lanes

The Katy Managed Lanes are located in the IH-10 West right-of-way between IH-610 West and SH 6 for a distance of approximately 12 miles. The Katy Managed Lanes combine several familiar transportation options - High Occupancy Vehicle (HOV) lanes, mass transit and toll roads. During HOV hours, drivers pass through designated lanes based on the occupancy of their vehicle. For all other vehicles and at all other times, an EZ TAG is required to use this all-electronic toll system. Toll rates for these lanes are based on time of day and occupancy of a vehicle. The project was opened as a HOV lane in October 2008 and operation of the toll lanes began April 18, 2009.

2003 Tri-Party Agreement. A tri-party agreement among the County, TxDOT and the FHWA to jointly develop the Katy Managed Lanes was authorized by Harris County Commissioners Court on December 17, 2002 and made effective as of March 14, 2003 (the "2003 Tri-Party Agreement"). The agreement contained a commitment of up to $250 million of Authority funds of which the Authority has paid $237.5 million to TxDOT and has spent an additional $12.5 million in design and construction of tolling elements for the construction of the Katy Managed Lanes, which will be operated and maintained by the Authority as part of the Project.

Project Cooperation with State and Local Governments

From time to time the County may enter into arrangements with other governmental entities to provide for funding or joint participation in the development of projects that are part of, connect to or otherwise relate to the usage or operation of the toll road system. Examples of such arrangements include the 2003 Tri-Party Agreement between the County, TxDOT and FHWA for the Katy Managed Lanes described above and the financing assistance provided by the County for the Fort Bend Parkway Tollway and Fort Bend Westpark Tollway described below. The County may enter into similar arrangements in the future, and the County's interest in facilities undertaken in conjunction with other governmental entities may result in the County being entitled to only portions or none of the revenues of such facilities.

Maintenance of Facilities

As required by the Indentures, the Authority annually engages independent consulting engineers to inspect the Project in order to prepare reports making recommendations with respect to the maintenance, repair and operation of the Project. The Authority files copies of such reports with the Trustee and undertakes to implement the recommendations of such reports.

Fort Bend Parkway Tollway and Fort Bend Westpark Tollway

Harris County, Fort Bend County and the Fort Bend County Toll Road Authority ("FBCTRA"), a local government corporation created by and operating on behalf of Fort Bend County, entered into a contract by which Harris County, using Authority funds, loaned $15 million to Fort Bend County for use by FBCTRA to plan and design the Fort Bend Parkway Tollway and the Fort Bend Westpark Tollway. Fort Bend County repaid the loan in June 2003. The Fort Bend Parkway Tollway extends from the Harris-Fort Bend county line at Beltway 8 (Hillcroft) to Grand Parkway (South) (SH 99) (south of SH 6). The tollway consists of four lanes (two north bound and two south bound) for a distance of 18.7 miles. The Fort Bend Westpark Tollway extends from the terminus of the Harris County Westpark Tollway at FM 1464 to the Grand Parkway (West SH 99). The tollway consists of four lanes (two lanes east bound and two lanes west bound) for a distance of six miles. The Fort Bend Parkway Tollway and the Fort Bend Westpark Tollway were financed, constructed and owned by Fort Bend County and FBCTRA, rather than by Harris County. Nonetheless, the tollways are operated by the Authority. The Fort Bend Parkway Tollway was opened in August 2004. The Fort Bend Westpark Tollway opened August 2005.

Schedule of Project Components and Segments

The Project has been opened or acquired in multiple components and segments, as follows:

Component/Segment	Date Opened/Acquired	Approximate Lane Miles	Actual Miles
Hardy Toll Road-North	September 20, 1987	73	14
Hardy Toll Road-South	June 28, 1988	46	8
Hardy Toll Road-Airport Connector	January 28, 2000	12	3
Sam Houston Tollway-West/South	June 29, 1988	66	8
Sam Houston Tollway-West/Central	June 24, 1989	50	6
Sam Houston Tollway-West/North	July 8, 1990	90	11
Sam Houston Ship Channel Bridge	May 6, 1994	17	4
Sam Houston Tollway-East	July 1, 1996	36	9
Sam Houston Tollway-South/East	March 1, 1997	44	11
Sam Houston Tollway-South/West	May 3, 1997	48	12
Westpark Tollway (IH 610 West to SH 6)	May 1, 2004	44	11
Westpark Extension (SH 6 to SH 1464)	June 8, 2005	12	3
Spur 90A	March 15, 2005	12	3
Katy Managed Lanes	April 18, 2009	48	12
Total		598	115

Integrated Toll Collection System

In 1992, the Authority began implementation of an automatic vehicle identification ("AVI") program that allows motorists non-stop passage through toll collection sites with the use of a transponder (commonly referred to as an "EZ TAG"). In October 2003, the Authority began implementation of an electronic toll collection interoperability service that allows patrons of both the Authority and the North Texas Tollway Authority ("NTTA") to utilize the AVI systems, or EZ TAGS, of both entities, while maintaining one account at either entity for payment and monitoring. The interoperability service was expanded in February 2006 to include the TTA System of the Texas Turnpike Authority, which consists of three roadways located in Austin, Dallas and Tyler. All toll agencies in Texas are interoperable with the development of a common tag technology. Additional interoperability options have been implemented with the Houston Airport System for system integration that allow for EZ TAG usage at airport parking garages. A contract between the City of Houston and Harris County was approved by Commissioners Court in January 2006 for this system and the program is now fully operational. The AVI system enables the Authority to manage its roadways and operations through automated revenue audit and reconciliation processes, consolidated reporting functions, a violation-loss recovery system, customer account management system, and system and operation management and maintenance functions.

System Wide Toll Integration

In September 2009, the Authority will begin an approximately $80 million project to replace and/or enhance the existing lane level toll collection equipment in the multiple toll lane configurations and to replace the Back Office System (BOS). The Back Office System will be a state of the art system designed to provide consistent financial reporting and auditing for all revenue generated, together with extensive customer service and violation enforcement capabilities

Other County Roads

County Road System**.** In addition to the toll road system, the system for other highways and roads in the County is extensive. Such system consists of interstate and other federal highways, State supported highways, farm-to-market roads and city streets. With respect to such systems, the County pays all costs incurred in acquiring rights-of-way for County non-toll roads, streets, highways and bridges and related outfall ditches necessary to drain water. The County also is required to pay all engineering and construction expenses relating to these County non-toll roads, streets, highways, bridges and related ditches.

Each of the four County Commissioners has jurisdiction over the roads, streets, highways and bridges in the respective precinct of each Commissioner. The Commissioners Court appoints a County Engineer, who furnishes planning and engineering services for road, street, highway and bridge construction and maintenance programs of the County. When certain roads are to be constructed within the County by the State, the County acquires rights-of-way and pays a proportionate share of the direct costs of the acquisition of such rights-of-way. The State is required to pay engineering, construction and maintenance costs of State highways. In addition to the County and State roads described above, the State constructs and maintains numerous roads called "farm-to-market" roads. The County pays the costs incurred in acquiring rights-of-way for farm-to-market roads while the State pays all engineering, construction and maintenance costs for such roads.

Connectivity and Mobility Program**.** In Fiscal Years 2002 and 2003, the Commissioners Court authorized an allocation of $20 million of Authority net income, distributed in the amount of $5 million per precinct, for the funding of non toll County roads that connect or otherwise enhance the Project. In Fiscal Year 2004, the amount per precinct for such purpose was increased to $15 million and an additional $7.5 million was allocated to the Public Infrastructure Department for other Project related purposes for an aggregate Fiscal Year total of $67.5 million. In Fiscal Years 2005 and 2006, the amount allocated to each precinct for such connectivity projects was approximately $5 million for an aggregate Fiscal Year total of approximately $20 million. In Fiscal Year 2007, the amount allocated to each precinct to enhance such connectivity projects was $7.1 million for an aggregate Fiscal Year total of $28.4 million. The allocation of funds for connectivity projects was increased to $120 million, in the aggregate for all precincts, for Fiscal Years 2008, 2009 and 2010. Such transfers are not mandatory and may be eliminated, reduced, or increased if the Commissioners Court determines that such action would be in the best interest of the Authority and the Project.

Competing Highways and Transportation Facilities

Additional non-toll highways, roads and streets, or improvements and expansions to existing free highways, roads and streets that may adversely affect usage of the Project may be constructed by the County, TxDOT, the City of Houston or other public entities. TxDOT continues to improve and expand IH-45 and US 59 (Eastex Freeway) and both highways offer free highway competition to the Hardy Toll Road. Improvements over the past few years to IH-45 from its interchange with Sam Houston Tollway-West/North Section/Sam Houston Parkway to FM 1960 have enhanced mobility along that segment of the highway. Certain of the Authority's future planned projects, such as the proposed Hempstead Highway (U.S. 290) Toll Lanes and Katy Managed Lanes will also experience similar competition from non-tolled highways servicing the same or similar routes as such planned projects. Under certain circumstances, TxDOT may have the legal authority under Texas law to construct competing toll highways which could adversely affect the usage of the Project.

Metropolitan Transit Authority of Harris County, Texas ("METRO")

METRO, a regional transit authority, currently operates an extensive bus fleet serving Harris County (other than certain eastern portions) and all of the City of Houston (including portions located outside the County). METRO offers "park-and-ride" services, which include predominantly free automobile parking at suburban METRO lots and bus service to and from Houston's central business district in competition with the Project. METRO's "park and ride" service from these suburban lots to downtown Houston, utilizing free high occupancy vehicle lanes, competes for a portion of the traffic that could otherwise be expected to utilize certain segments of the Project.

METRO does not currently offer services that compete materially for traffic that utilizes the Project. However, in November, 2003, voters in the METRO service area approved the construction of extensions of METRO's rail system known as "METRORail," including an additional 64.8 miles of light rail to complement the existing 7.5 mile segment that extends from the University of Houston-Downtown to south of Reliant Park (formerly the Astrodome Complex) (such segment is referred to as "Phase I" of METRORail). Construction of Phase I did not require voter approval, and service commenced on such segment in January, 2004.

In 2005, METRO revised its rail system plan in order to accelerate the delivery of mass transit services to its service area. The METRO Solutions Transit System Plan ("METRO Solutions") replaced Phase II of METRORail and currently contemplates a number of transit projects including 30 miles of light rail, 28 miles of commuter rail and 40 miles of signature bus and suburban bus transit service.

Management of the Authority believes METRO Solutions plan has not had a material adverse effect on the operations of the Authority. At this time, however, management is unable to predict what effect, if any, later phases of METRO Solutions will have on Authority operations.

Schedule 1—Traffic Count Table

The following schedule sets forth the numbers of toll payment transactions for each component/segment of the Project for Fiscal Years 2005-2009:

Component/Segment	2005	2006	2007	2008	2009
Hardy Toll Road-North	14,052,770	14,632,226	14,844,875	16,938,676	16,744,345
Hardy Toll Road-South	18,462,284	19,010,977	19,194,355	20,975,028	19,876,515
Sam Houston Tollway-West/South	61,531,417	63,197,673	67,495,296	70,584,503	64,640,311
Sam Houston Tollway-West/Central	51,591,528	55,090,689	56,979,721	56,124,887	53,294,082
Sam Houston Tollway-West/North	57,044,397	62,488,975	64,503,481	65,373,379	63,185,142
Sam Houston Ship Channel Bridge	10,845,442	12,396,189	12,685,800	13,263,584	12,121,030
Sam Houston Tollway-East	16,510,758	18,361,289	19,094,698	20,166,224	20,035,646
Sam Houston Tollway-South/East	23,929,678	25,702,415	26,790,083	27,928,955	26,821,418
Sam Houston Tollway-South/West	30,545,303	32,782,866	34,006,958	34,769,529	31,883,756
Westpark Tollway	12,723,902	30,329,845	41,553,985	45,961,833	42,023,500
Spur 90A [(a)]	--	1,241,962	2,803,683	3,645,128	3,322,965
Total	297,237,479	335,236,106	359,952,935	375,731,726	353,948,710

(a) Spur 90A opened in 2006

Source: HCTRA

Toll Rate Setting Policy

On June 19, 2007, the Commissioners Court of the County established a toll rate setting policy (the "Toll Policy") for future toll rate adjustments on the HCTRA toll facilities. The Toll Policy establishes a process for annual review and adjustment of toll rates, with provisions for rounding tolls to appropriate levels. The annual adjustment factor is determined by the greater of (a) 2%, or (b) the consumer price index (CPI) that correlates with the Harris County economy. Cash rates will be rounded to the nearest quarter, and EZ TAG rates rounded to the nearest nickel, but always less than or equal to the cash rate. The Toll Policy provides guidelines for future rate increases which will be systematically implemented. The Toll Policy does not supersede toll rate covenants in existing or future bond documents. In the event a conflict exists, the bond toll covenants will prevail in determining the toll rates used on the HCTRA toll facilities. The first automatic rate adjustment was scheduled to take effect on March 1, 2009 and would have resulted in an increase in toll rates of 3.9%; however, because of the uncertain economic climate and the effect such an increase could have on the citizens of the County, Commissioners Court delayed the implementation of the toll rate increase and elected to review the issue of rate adjustments during its June 2009 Capital Projects meeting. On June 23, 2009, Commissioners Court voted to increase the toll rates for EZ TAG customers by 3.8% effective September 12, 2009.

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Schedule 2— Toll Rate Schedule

The following schedule sets forth the toll rate schedule for the Project.

Toll Rate Schedule Effective as of September 3, 2007

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes [(a)]
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$0.75 - 1.50	$0.75 - 1.50	$0.75 - 1.25
Sam Houston Ship Channel Bridge	$2.00	$2.00	$1.50
Westpark Tollway	N/A	N/A	$0.35 - 1.25
Hwy 90A	N/A	$1.00	$0.75
Katy Managed Lanes [(b)]	N/A	N/A	$0.30 - 1.60
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$1.25 - 7.50	N/A	$1.25 - 7.50
Sam Houston Ship Channel Bridge	$3.00 - 7.50	N/A	$3.00 - 7.50
Westpark Tollway	N/A	N/A	$1.00 - 6.25
Hwy 90A	N/A	$1.75 - 5.00	$1.75 - 5.00
Katy Managed Lanes [(b)]	N/A	N/A	$7.00

Proposed Toll Rate Schedule Effective as of September 12, 2009

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes [(a)]
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$0.75 - 1.50	$0.75 - 1.50	$0.75 - 1.30
Sam Houston Ship Channel Bridge	$2.00	$2.00	$1.50
Westpark Tollway	N/A	N/A	$0.35 - 1.30
Hwy 90A	N/A	$1.50	$1.30
Katy Managed Lanes [(b)]	N/A	N/A	$0.30 - 1.60
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$1.50 - 7.50	N/A	$1.50 - 7.50
Sam Houston Ship Channel Bridge	$3.00 - 7.50	N/A	$3.00 - 7.50
Westpark Tollway	N/A	N/A	$1.00 - 7.50
Hwy 90A	N/A	$3.00 - 7.50	$3.00 - 7.50
Katy Managed Lanes [(b)]	N/A	N/A	$7.00

[(a)] These rates do not include the rates used for toll violations.
[(b)] The tolling on these lanes began on April 18, 2009.

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TOLL ROAD FINANCIAL INFORMATION

Schedule 3—Selected Financial Information

The following schedule sets forth the audited revenues and expenses of the Authority for Fiscal Years 2005-2009:

	2005	2006	2007	2008	2009
Operating Revenues					
Toll revenues	$ 317,712,245	$ 349,341,225	$ 392,992,697	$ 428,867,531	$ 442,015,417
Lease revenues	--	--	--	--	
Intergovernmental Revenues	--	--	1,612,040	1,286,116	994,397
Total Operating Revenues	317,712,245	349,341,255	394,604,737	430,153,647	443,009,814
Operating Expenses					
Salaries	25,852,853	28,771,452	33,198,646	46,510,889	53,515,886
Materials and supplies	2,732,095	7,265,279	23,707,444	11,650,933	8,072,061
Services and fees	26,410,239	28,748,034	39,362,124	30,121,112	51,940,426
Utilities	1,948,440	2,288,230	2,895,118	3,296,602	2,866,487
Transportation and travel	437,235	525,709	690,508	866,963	1,075,839
Depreciation	42,913,450	51,818,107	59,704,746	62,889,174	67,034,586
Total Operating Expenses	100,294,312	119,416,811	159,558,586	155,335,673	184,505,285
Income from Operations	217,417,933	229,924,414	235,046,151	274,817,974	258,504,529
Nonoperating Revenues					
Interest revenue	6,317,939	19,799,582	39,390,825	49,023,466	41,253,022
Other	--	1,000,948	751,640	4,893,417	1,062,279
Total Nonoperating Revenues	6,317,939	20,800,530	40,142,465	53,916,883	42,315,301
Nonoperating Expenses					
Interest expense	96,222,165	97,189,289	103,386,119	103,326,312	106,674,114
Amortization expense	13,137,957	13,642,903	13,726,840	14,309,780	14,455,334
Bad debt	--	--	--	--	18,770
Other	3,703,190	5,199	--	--	--
Total Nonoperating Expenses	113,063,312	110,837,391	117,112,959	117,636,092	121,248,218
Net Income Before Contributions and Transfers Out	110,672,560	110,672,560	158,075,657	211,098,765	179,571,612
Contributions [(a)(b)]	12,522,506	12,522,506	3,113,317	3,081,206	9,197,722
Transfers Out [(c)]	(20,130,000)	(20,130,000)	(31,112,333)	(120,480,464)	(120,237,481)
Net Income[(d)(e)]	$ 103,065,066	$ 103,065,066	$ 130,076,641	$ 93,699,507	$ 68,531,853

(a) Represents federal and state contributions recognized for direct connector projects between (i) the Sam Houston Tollway-East and Hardy Toll Road-North segments of the Project and (ii) SH 249 and the Sam Houston Tollway.

(b) Beginning with the fiscal year that ended February 29, 2008, the County is subject to GASB 45, as promulgated by the Government Accounting Standards Board ("GASB"). GASB 45 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 plan for current retirees and employees. The actuarially determined unfunded accrued liability (UAL) attributable to the Toll Road for retiree health care benefits at March 1, 2007 was $23,508,770 and the related annual expense (ARC) was $4,115,841.

(c) In Fiscal Year 2004, the amount per precinct to fund County thoroughfares that feed the Project increased to $15 million and an additional $7.5 million was allocated to the Public Infrastructure Department for Project-related purposes. In Fiscal Years 2005 and 2006, the amount per precinct per Fiscal Year was approximately $5 million. See the "TOLL ROAD PROJECT - Other County Roads." In Fiscal Year 2007, the amount per precinct was $7.1 million. For Fiscal Year 2008, the amount per precinct was approximately $30 million. For Fiscal Year 2009, the amount per precinct was approximately $30 million.

(d) On September 13, 2008, the Greater Houston-Galveston area suffered severe wind damage and flooding as a result of Hurricane Ike. In response to the storm, the County waived the collection of tolls from September 10, 2008 through September 27, 2008 throughout the System with the exception of the Houston Ship Channel Bridge, which waived tolls for one additional day through September 28, 2008, resulting in the loss of approximately $20 million in toll revenues. The County does not believe that such lost revenues will have a material adverse effect on the toll road operations of the County or its ability to pay debt service on the Bonds.

(e) For review of current (but unaudited) monthly financial statements and the monthly investment management report, please see the Harris County Auditor's website (http://www.co.harris.tx.us/auditor) and the Harris County Office of Financial Services' website (http://www.co.harris.tx.us/Fin_Svcs/investments.aspx), respectively. For a review of the System's most recent monthly investment management report describing unrestricted funds available for System related purposes and the payment of the Tender Price of Bonds tendered pursuant to certain provisions of the Twenty-Seventh Supplemental Indenture, see Schedule II.

Source: HCTRA audited financial statements for the Fiscal Years indicated.

Schedule 4—Historical Toll Road Project Operating Results and Coverages

The following schedule sets forth historical operating results and cash flow coverages for the Project for Fiscal Years 2005-2009:

Fiscal Year Ended	Project Revenues[a]	Other Earnings[b]	Toll Road Senior Lien Revenue Bonds Debt Service	Coverage Ratio on Toll Road Senior Lien Revenue Bonds[c]	O&M Expenses[d]	Revenues Available for Toll Road Tax Bonds	Toll Road Tax Bonds Debt Service	Coverage Ratio on Toll Road Tax Bonds[e]
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434
2006	349,341,225	20,759,221	75,387,443	4.909	58,899,030	235,813,973	75,453,269	3.125
2007	392,992,697	41,647,566	92,115,954	4.718	74,627,072	267,897,237	75,413,268	3.552
2008	428,867,531	50,694,456	85,536,226	5.607	85,131,990	308,893,771	74,690,589	4.136
2009	442,015,417	42,667,384	98,880,513	4.902	104,062,177	281,740,111	72,420,498	3.890

(a) Consists of toll revenues. Toll rates were increased in September of 2007.
(b) Total earnings less revenues from the Authority's office building, which do not constitute revenues under the Indentures.
(c) Revenues available for Toll Road Senior Lien Revenue Bonds divided by Toll Road Senior Lien Revenue Bonds Debt Service.
(d) Operation and maintenance expenses are from the Authority's operation and maintenance fund only.
(e) Revenues available for Toll Road Tax Bonds divided by Toll Road Tax Bonds Debt Service.

Source: County Auditor's Office.

Schedule 5—Revenues by Toll Road Components/Segments

The following table sets forth the amount of toll revenues collected for each component/segment of the Project for Fiscal Years 2005-2009:

Component/Segment	2005	2006	2007	2008	2009
Hardy Toll Road-North	$ 13,888,956	$ 14,381,462	$ 14,981,525	$ 18,355,035	$ 19,229,430
Hardy Toll Road-South[a]	17,202,971	17,568,326	18,105,401	22,382,009	23,279,910
Sam Houston Tollway-West/South	58,765,316	59,541,264	62,831,888	72,011,783	74,453,883
Sam Houston Tollway-West/Central	51,823,534	54,416,326	56,966,197	61,753,738	63,447,659
Sam Houston Tollway-West/North	57,182,927	61,428,727	66,076,156	73,733,209	76,515,321
Sam Houston Ship Channel Bridge	19,356,296	21,984,875	23,187,641	24,088,354	21,816,438
Sam Houston Tollway-East	17,157,370	19,122,853	20,360,429	23,551,201	25,109,264
Sam Houston Tollway-South/East	24,144,419	25,641,681	27,344,571	31,543,732	32,969,486
Sam Houston Tollway-South/West	28,280,061	29,206,606	30,703,175	34,661,216	36,374,354
Westpark Tollway	8,730,798	23,036,382	33,316,113	41,871,471	42,232,814
Spur 90A[b]	--	635,501	1,449,018	2,375,092	2,489,264
Admin[c]	20,641,990	21,163,992	35,196,101	17,777,848	17,145,187
Ft. Bend	120,916	523,356	1,391,956	1,717,492	1,591,854
IOP-NTTA[d]	416,691	689,874	917,995	1,605,179	2,242,924
IOP-TTA[e]	--	--	164,531	1,435,807	2,589,326
IOP-CTRMA[f]	--	--	--	4,367	33,842
Airport GT[g]	--	--	--	--	17,387
Airport Park[g]	--	--	--	--	477,074
TOTAL	$ 317,712,245	$ 349,341,225	$ 392,992,697	$ 428,867,531	$ 442,015,417

(a) Includes toll revenues collected for the Airport Connector which opened in January 2000.
(b) Spur 90A opened in 2006.
(c) Consists of EZ TAG fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.
(d) Revenue includes amounts attributable to the interoperability program with North Texas Tollway Authority ("NTTA"). In August 2003 Commissioners Court approved an interlocal agreement that allows for tag patrons to use both the HCTRA and NTTA toll systems. In February 2006, the program was expanded to include TTA. The figures shown represent NTTA tag holders' usage of the HCTRA system and may include revenue from any segment of the system.
(e) Implemented in February 2006.
(f) Implemented in January 2008.
(g) Airport GT and Park opened August 2008.

Source: HCTRA

Schedule 6 — Toll Road Bonds Debt Service Requirements

The following table sets forth the County's existing aggregate debt service requirements for all Toll Road Bonds (as of February 28, 2009), excluding the Series E Notes and the Refunded Bonds but adjusted to include the estimated Bonds. Actual debt service requirements will depend upon various factors and investment income on and amounts on hand in the funds held under the Indentures relating to the Toll Road Bonds.

Period Ending	Toll Road Sr. Lien Rev. Bonds[1, 2]	Refunded Series 2004B-2[2]	Series 2009B Bonds Principal	Series 2009B Bonds Projected Interest[3]	Total Sr. Lien Rev. Bonds	Toll Road Sub. Ln. Rev. & U/L Tax Bonds	Total All Bonds
2/28/2010	117,675,552	3,624,459	-	5,645,822	119,696,914	87,130,769	206,827,683
2/28/2011	123,679,883	7,248,918	-	9,407,856	125,838,821	86,406,769	212,245,590
2/28/2012	124,512,733	7,248,918	-	7,648,748	124,912,563	85,248,675	210,161,238
2/28/2013	129,173,177	7,248,918	-	7,648,748	129,573,007	84,983,369	214,556,376
2/28/2014	130,029,162	7,248,918	-	7,648,748	130,428,992	84,780,631	215,209,623
2/28/2015	131,280,405	7,248,918	-	7,648,748	131,680,235	82,931,581	214,611,817
2/28/2016	132,481,073	23,449,773	16,500,000	7,333,103	132,864,403	58,590,600	191,455,003
2/28/2017	136,032,408	10,578,108	4,000,000	6,940,938	136,395,238	42,799,013	179,194,250
2/28/2018	137,434,466	25,445,860	19,290,000	6,495,400	137,774,006	41,737,731	179,511,738
2/28/2019	133,826,582	26,057,201	20,625,000	5,731,826	134,126,207	41,187,050	175,313,257
2/28/2020	134,779,041	49,539,210	44,760,000	4,581,436	134,581,267	40,622,563	175,203,829
2/28/2021	135,308,797	49,905,538	46,510,000	3,038,113	134,951,372	40,049,775	175,001,147
2/28/2022	134,954,844	49,375,463	48,230,000	1,024,888	134,834,269	28,930,613	163,764,881
2/28/2023	96,415,150				96,415,150	28,689,022	125,104,172
2/28/2024	97,086,181				97,086,181	28,084,903	125,171,084
2/28/2025	97,728,812				97,728,812	27,462,059	125,190,872
2/28/2026	106,321,675				106,321,675	17,500,338	123,822,012
2/28/2027	107,090,650				107,090,650	16,886,138	123,976,787
2/28/2028	107,811,025				107,811,025	16,275,756	124,086,781
2/28/2029	108,539,534				108,539,534	15,659,194	124,198,728
2/28/2030	109,280,909				109,280,909	15,046,450	124,327,359
2/28/2031	110,007,709				110,007,709	14,432,394	124,440,103
2/28/2032	110,853,844				110,853,844	13,817,025	124,670,869
2/28/2033	110,900,156				110,900,156	13,205,213	124,105,369
2/28/2034	111,914,894				111,914,894	12,586,956	124,501,850
2/28/2035	124,353,554				124,353,554		124,353,554
2/28/2036	124,598,544				124,598,544		124,598,544
2/28/2037	54,541,288				54,541,288		54,541,288
2/28/2038	41,779,113				41,779,113		41,779,113
2/28/2039	41,782,863				41,782,863		41,782,863
2/28/2040	19,728,113				19,728,113		19,728,113
2/28/2041	19,727,600				19,727,600		19,727,600
2/28/2042	19,729,925				19,729,925		19,729,925
2/28/2043	19,728,531				19,728,531		19,728,531
2/28/2044	19,726,450				19,726,450		19,726,450
2/28/2045	19,726,450				19,726,450		19,726,450
2/28/2046	19,726,169				19,726,169		19,726,169
2/28/2047	19,728,113				19,728,113		19,728,113
2/28/2048	19,729,656				19,729,656		19,729,656
	3,539,725,029	274,220,201	199,915,000	80,794,372	3,546,214,200	1,025,044,585	4,571,258,784

[1]Interest on Series 2007B Bonds is assumed at an interest rate of 4.398% until 2/15/2035, and 4.75% thereafter.
[2] Interest on Series 2004B-2 Bonds is assumed at 5.00% through August 15, 2009, then 3.626% until August 15, 2019, and 4.75% thereafter.
[3]Interest on 2009B Bonds is assumed at 5.626% (2% bond rate plus fixed swap rate) to August 12, 2010, then at 3.826% to August 15, 2019, and 4.25% thereafter.

Toll Road Commercial Paper Notes

The Revenue Indenture provides that the County may issue or incur, on a parity with its Toll Road Senior Lien Revenue Bonds, other "Parity Obligations," including "Parity Notes." For definitions of such terms, See "APPENDIX A - GLOSSARY OF TERMS - Bond Terms." Pursuant to the Revenue Indenture, the County has established a $200 million Parity Note commercial paper program. Commercial paper notes issued under such program are designated as Harris County, Texas, Toll Road Senior Lien Revenue Commercial Paper Notes, Series E (the "Series E Notes"). The Series E commercial paper note program is structured as a revolving program, and the County expects to issue additional Series E Notes from time to time to finance capital projects of the Authority. There are no Series E Notes currently outstanding.

Credit and Liquidity Facilities

In connection with the Series E Notes commercial paper program, the County entered into a Revolving Credit Agreement dated as of October 1, 2001, as amended and extended, with Dexia Credit Local. The County elected to terminate this agreement on May 20, 2009 and is currently exploring alternate credit and liquidity facility arrangements. The termination of the Revolving Credit Agreement does not relate to the County's Series A-1, B, C, D or F commercial paper programs which are secured by ad valorem tax revenues and not Project Toll Revenues.

Financial Management Products

As part of the County's management of its debt portfolio, and consistent with the guidelines set forth in its financial management products policy adopted by the County on June 29, 2004 (the "Financial Management Products Policy"), the County considers and uses various financial management products such as interest rate swaps, caps, and floors (collectively, "Financial Management Products") in connection with debt issued by the County. The County may enter into such Financial Management Products as authorized by Commissioners Court and approved by the Attorney General of the State of Texas. For current information related to such financial management products being used by the County, investors may review the County's continuing disclosure of information. See "CONTINUING DISCLOSURE OF INFORMATION."

Financial Management Products Policy**.** Pursuant to the Financial Management Products Policy, the County will evaluate the use of Financial Management Products by comparing them to traditional financing vehicles and structures and will only use a Financial Management Product if it produces significant quantifiable value or reduces the risk exposure in management of its debt portfolio. The Financial Management Products Policy limits the County's use of fiscal management products as follows: (1) the County may not have fixed rate swaps in effect with an aggregate notional amount in excess of 30% of the aggregate outstanding principal amount of debt and bonds issued by the County and (2) the County may not have basis swaps in effect with an aggregate notional amount in excess of 30% of the aggregate outstanding principal amount of debt and bonds issued by the County.

The Financial Management Products Policy provides that the County may choose counterparties for entering into Financial Management Products provided such counterparties are rated at least "AA-" by S&P or Fitch Ratings or "Aa3" by Moody's or the obligations of such counterparties are guaranteed by a person with such rating or the obligations of such counterparties are collateralized by obligations with such rating, all as required by the Commissioners Court, and other applicable regulations. In addition, any uncollateralized counterparty's termination exposure shall not exceed $75 million - $100 million per any single counterparty.

The County will track and regularly report on the financial implications of the Financial Management Products it enters into. A semi-annual report will be prepared for the County's Director of Management Services by the County's Financial Management Products Committee. In addition, the County's Financial Management Products Committee will perform such monitoring and reporting as is required by the rating agencies or for compliance with GASB requirements.

Tax Indenture Swap Agreements**.** Currently, the County does not have any swap agreements entered into in connection with the Toll Road Tax and Subordinate Lien Revenue Bonds; however, the County may in the future enter into such swap agreements.

Revenue Indenture Swap Agreements**.** The following describes the swap agreements entered into in connection with the Toll Road Senior Lien Revenue Bonds.

> *Series 2009 and 2010 Bonds Swap Agreements*. In connection with and in anticipation of the issuance by the County in 2009 and 2010 of variable rate Toll Road Senior Lien Revenue Bonds secured by revenues of the Project, the County entered into two floating rate to fixed rate swaps (respectively, the "Series 2009 Swap Agreement" and the "Series 2010 Swap Agreement") in notional amounts of $200,000,000 and $100,000,000, respectively, with Goldman Sachs Capital Markets L.P. (the "Series 2009 and 2010 Counterparty"). On June 11, 2009, because of favorable market conditions, the County exercised its rights granted under the Series 2009 and 2010 Swap Agreements and terminated both agreements. The result of this action was a net payment to the County.

Series 2007B Bonds Swap Agreements. In connection with the issuance of the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B (LIBOR-Index Floating Rate) (the "Series 2007B Bonds") secured by revenues of the Project, the County has also entered into separate cost of funds swaps (the "Series 2007B Swap Agreements") supporting $145,570,000 in outstanding principal amount of the Series 2007B Bonds split equally between Citibank, N.A., New York, and JPMorgan Chase Bank, National Association (Effective Date: June 14, 2007; Termination Date: February 15, 2035). The intent of the Series 2007B Swap Agreements was to create a fixed cost of funds on certain maturities of the Series 2007B Bonds lower than the fixed cost achievable in the cash bond market.

Series 2009B Bonds Swap Agreement. In 2006, the County entered into a forward starting floating rate to fixed rate swap (the "Series 2009B Swap Agreement") with Citibank, N.A., New York, supporting $199,915,000 in principal amount of bonds (Effective Date: August 15, 2009; Termination Date: August 15, 2019). The Series 2009B Swap Agreement is intended to hedge the County's interest rate exposure on the Series 2009B Bonds. The County could be required to make net annual payments under the Series 2009B Swap Agreement. The County and Citibank could terminate the Series 2009B Swap Agreement under certain conditions as provided in the Series 2009B Swap Agreement, and the County could also terminate at its sole option.

RESERVE FUND SURETY POLICIES

Reserve Fund Requirement

The aggregate Reserve Fund Requirement for the Outstanding Toll Road Senior Lien Revenue Bonds will be $142,400,000 after issuance of the Bonds, of which $70,000,000 is satisfied by the Reserve Fund Surety Policies listed below. The $72,400,000 balance of the Reserve Fund Requirement is satisfied with cash deposits of legally available funds of the County. If the Reserve Fund Requirement increases in connection with the issuance of a series of Toll Road Senior Lien Revenue Bonds, the County's practice has been to obtain a new Reserve Fund Surety Policy or to use proceeds of such Toll Road Senior Lien Revenue Bonds to satisfy the increased amount.

In order to satisfy the Reserve Fund Requirement for the Outstanding Toll Road Senior Lien Revenue Bonds, the County previously acquired separate Reserve Fund Surety Policies from Financial Guaranty Insurance Company ("Financial Guaranty") and Financial Security Assurance Inc. ("FSA"). See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS — Flow of Funds — Reserve Fund." The amount of each such Reserve Fund Surety Policy is as follows:

	Amount	Termination Date
Cash Funding	$ 72,400,000	Not Applicable
Financial Guaranty Reserve Fund Surety Policy (See "- Financial Guaranty Downgrade")	60,000,000	August 15, 2024
FSA Reserve Fund Surety Policy	10,000,000	August 15, 2032
Total	$ 142,400,000	

In the event that the County does not obtain a new Reserve Fund Surety Policy for its Toll Road Senior Lien Revenue Bonds by either termination date, the County will be required to provide for any resulting deficiency in the Reserve Fund by making monthly transfers to such fund, as described above. See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS — Flow of Funds — Reserve Fund."

Financial Guaranty Downgrade

As of April 22, 2009, the financial strength ratings of Financial Guaranty were as follows: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. – rating withdrawn April 22, 2009; Fitch Ratings – rating withdrawn November 24, 2008; and Moody's Investors Service, Inc. – rating withdrawn March 24, 2009. Pursuant to the terms of the Master Revenue Indenture, the rating requirement for a provider of a reserve fund surety policy is satisfied at the time of purchase of the policy. Pursuant to the terms of the Fourteenth Supplemental Indenture, dated as of February 15, 2004, which authorized the issuance of the County's Toll Road Senior Lien Revenue Refunding Bonds, Series 2004A (the "Series 2004A Bonds"), and the Fifteenth Supplemental Indenture, dated as of March 15, 2004, which authorized the issuance of the County's Toll Road Senior Lien Revenue Refunding Bonds, Series 2004B (together with the Series 2004A Bonds, the "Series 2004 Bonds"), as an inducement to Financial Guaranty to issue its municipal financial guaranty policies with respect to the Series 2004 Bonds, the County covenanted that, in the event the financial strength rating of a provider of a reserve fund policy is downgraded below "AAA" or its equivalent, the County would replace such reserve fund surety policy with a policy rated "AAA" or satisfy the unmet portion of the Debt Service Reserve Fund Requirement with cash over a period of time in accordance with the Fourteenth and Fifteenth Supplemental Indentures. Under the terms of such Supplemental Indentures, however, such covenant was made solely for the benefit of Financial Guaranty and applies only to reserve fund surety policies issued by a party other than Financial Guaranty. Thus, the downgrade in the financial strength rating of Financial Guaranty has no effect on the sufficiency of the reserve fund surety policy issued by Financial Guaranty for purposes of satisfying the Debt Service Reserve Fund Requirement

Existing Financial Guaranty Surety Policy—Toll Road Senior Lien Revenue Bonds

THE FOLLOWING INFORMATION HAS BEEN OBTAINED FROM FINANCIAL GUARANTY AND THE COMPANY'S WEBSITE. THE COUNTY, THE FINANCIAL ADVISOR TO THE COUNTY AND THE UNDERWRITER DO NOT MAKE ANY REPRESENTATIONS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "RESERVE FUND SURETY POLICIES." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Reserve Fund Surety Policy issued with respect to the Toll Road Senior Lien Revenue Bonds unconditionally guarantees the payment of that portion of the principal of and interest on the Outstanding Toll Road Senior Lien Revenue Bonds that has become due for payment, but shall be unpaid by reason of nonpayment by the County, provided that the aggregate amount paid under such Reserve Fund Surety Policy may not exceed the maximum amount set forth in such policy. Financial Guaranty will make such payments to the Paying Agent/Registrar on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from such Paying Agent/Registrar of the nonpayment of such amount by the County. The term "nonpayment" in respect of a Toll Road Senior Lien Revenue Bond includes any payment of principal or interest made to an owner of a Toll Road Senior Lien Revenue Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Financial Guaranty Reserve Fund Surety Policy is non-cancelable and the premium for such policy was fully paid at the time of delivery of the policy. The Financial Guaranty Reserve Fund Surety Policy covers failure to pay principal of the Toll Road Senior Lien Revenue Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which such bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Financial Guaranty Reserve Fund Surety Policy shall terminate on the earlier of the scheduled final maturity date of the Toll Road Senior Lien Revenue Bonds issued pursuant to the authorizing Supplemental Indenture or the date on which no such bonds are Outstanding under the authorizing Supplemental Indenture.

Generally, in connection with its issuance of a reserve policy, Financial Guaranty requires, among other things, (1) that, so long as it has not failed to comply with its payment obligations under the reserve policy, it be granted the power to exercise any remedies available by or under law or under the authorizing document other than (a) acceleration of the applicable bonds or (b) remedies which would adversely affect holders in the event that the County fails to reimburse Financial Guaranty for any draws on the reserve policy; and (2) that any amendment or supplement to or other modification of the principal legal documents be subject to consent of Financial Guaranty. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Fund Surety Policy with respect to such bonds are set forth in the Supplemental Indenture authorizing such policy. Reference should be made to the description of the security for the Bonds appearing elsewhere in this Official Statement for a discussion of the circumstances, if any, under which the County is required to provide additional or substitute credit enhancement, and related matters. See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS."

The Financial Guaranty Reserve Fund Surety Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law or by the Florida Insurance Guaranty Association (Florida Insurance Code, §§ 631.50 et seq.). In the event that Financial Guaranty is unable to fulfill its obligations under the Reserve Fund Surety Policy, the policy holder or bondholder is not protected by an insurance guaranty fund or other solvency protection arrangement.

Financial Guaranty Insurance Company. Financial Guaranty is a New York stock insurance corporation that writes financial guaranty insurance in respect of public finance and structured finance obligations and other financial obligations, including credit default swaps. Financial Guaranty is licensed to engage in the financial guaranty insurance business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands and the United Kingdom.

Financial Guaranty is a direct, wholly owned subsidiary of FGIC Corporation, a Delaware corporation. At December 31, 2007, the principal owners of FGIC Corporation and the approximate percentage of its outstanding common stock owned by each was as follows: The PMI Group, Inc. – 42%; affiliates of the Blackstone Group L.P. – 23%; and affiliates of the Cypress Group L.L.C. – 23%. Neither FGIC Corporation nor any of its stockholders or affiliates is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where Financial Guaranty is domiciled, including New York's comprehensive financial guaranty insurance law. That law, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance (and related lines); requires that each financial guaranty insurer maintain a minimum surplus to policyholders; establishes limits on the aggregate net amount of exposure that may be retained in respect of a particular County or revenue source (known as single risk limits) and on the aggregate net amount of exposure that may be retained in respect of particular types of risk as compared to the policyholders' surplus (known as aggregate risk limits); and establishes contingency, loss and unearned premium reserve requirements. In addition, Financial Guaranty is also subject to the applicable insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction.

At September 30, 2008 Financial Guaranty had net admitted assets of approximately $3.301 billion, total liabilities of approximately $2.951 billion, and total capital and policyholders' surplus of approximately $350 million, determined in accordance with statutory accounting practices ("SAP") prescribed or permitted by insurance regulatory authorities.

The audited consolidated financial statements of Financial Guaranty and subsidiaries, on the basis of U.S. generally accepted accounting principles ("GAAP"), as of December 31, 2007 and December 31, 2006, which will be filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "DEBT SERVICE RESERVE FUND POLICY," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The New York State Insurance Department recognizes only SAP for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the New York Insurance Law, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. Although Financial Guaranty prepares both GAAP and SAP financial statements, no consideration is given by the New York State Insurance Department to financial statements prepared in accordance with GAAP in making such determinations. A discussion of the principal differences between SAP and GAAP is contained in the notes to Financial Guaranty's audited SAP financial statements.

Financial Guaranty's most recently published GAAP and SAP financial statements are available on Financial Guaranty's website at http://www.fgic.com/investorrelations/financialreports/ or upon request to Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is 212.312.3000. Reference is made to those financial statements, including the notes thereto (in particular, Notes 2, 8, 11 and 23 to the GAAP financial statements for the year ended December 31, 2007), for important information concerning Financial Guaranty.

Recent Developments. On September 30, 2008, FGIC entered into a reinsurance agreement with MBIA Insurance Corporation ("MBIA") under which MBIA reinsured certain policies covering approximately $166 billion of FGIC's U.S. public finance insured par outstanding. The reinsurance provided by MBIA will enable covered policyholders to make claims for payment directly against MBIA in accordance with the terms of the reinsurance agreement. FGIC paid a reinsurance premium to MBIA of $809,547,000 net of existing reinsurance associated with the covered policies as of September 30, 2008. The reinsurance agreement also provided for MBIA to pay FGIC a ceding commission of $172,975,000. The ceding commission was deferred and will be recognized over the remaining term of the policies. In connection with the MBIA reinsurance transaction, FGIC reassumed certain policies covering approximately $13 billion of FGIC's U.S. public finance insured par outstanding risk, and FGIC contemporaneously ceded $8 billion of this risk to MBIA. The MBIA reinsured par outstanding, reinsurance premium and ceding commission include amounts related to these policies.

Financial Guaranty's Credit Ratings. As of March 24, 2009, the financial strength ratings of Financial Guaranty were as follows: Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. – 'CCC', Outlook Negative; Fitch Ratings – rating withdrawn November 24, 2008; and Moody's Investors Service, Inc. – rating withdrawn March 24, 2009. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective rating agencies' current assessments of the insurance financial strength of Financial Guaranty, and further explanations of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. The further downgrade or withdrawal of any of these ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price of the Bonds, nor does it guarantee that the ratings on the Bonds will not be reduced, withdrawn or put on review for possible downgrade.

Financial Guaranty's financial strength ratings have been an integral part of its business, since the value of the financial guaranty and insurance products sold by Financial Guaranty has generally been a function of the rating applied to obligations insured by Financial Guaranty. Recent ratings downgrades, reflected above, and the watches referred to above have adversely impacted the market price of the Bonds, Financial Guaranty's ability to compete and otherwise to engage in its business, and its results of operations and financial condition, and will continue to have such adverse effects unless the Insurer's ratings are restored (as to which Financial Guaranty can give no assurance).

Existing FSA Surety Policy—Toll Road Senior Lien Revenue Bonds

THE FOLLOWING INFORMATION HAS BEEN FURNISHED BY FSA. THE COUNTY, THE FINANCIAL ADVISOR TO THE COUNTY AND THE UNDERWRITER DO NOT MAKE ANY REPRESENTATIONS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

The County has obtained a Reserve Fund Surety Policy from FSA (the "FSA Policy") for the purpose of funding a portion of the Debt Service Reserve Fund for the Toll Road Senior Lien Revenue Bonds.

Financial Security Assurance Inc**.** Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A. ("Dexia"), a publicly held Belgian corporation, and of Dexia Credit Local S.A., a direct wholly-owned subsidiary of Dexia. Dexia, through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

In November 2008, an affiliate of Dexia, the parent of Holdings, entered into a purchase agreement providing for the sale of Holdings to Assured Guaranty Ltd. ("Assured"), subject to the satisfaction of specified closing conditions, including regulatory approvals, absence of rating impairment and segregation or separation of Holdings' financial products operations (the "FP Business") from Holdings' financial guaranty operations. Pursuant to such agreement, the FP Business is expected to be separated from Holdings' financial guaranty operations and retained by Dexia. No assurance can be given that the acquisition of Holdings by Assured will be consummated.

As of December 31, 2008, the FP Business had guaranteed investment contracts and other investment agreements ("GICs") outstanding with a principal amount of $15.248 billion that provide for repayment in the event of a downgrade of Financial Security's financial strength ratings beyond certain thresholds absent collateralization of the GIC obligations. Bank affiliates of Dexia have entered into agreements intended to assume the credit and liquidity risk of the FP Business, including $8 billion of liquidity facilities for the FP Business intended to address the GIC repayment and collateralization consequences of a downgrade of Financial Security. Dexia has announced its intention to obtain Belgium and French government guaranties to backstop Dexia's support obligations with respect to the FP Business, and, according to Dexia, the European Commission has approved the issuance of such guaranties. No assurance can be given that the Belgium and French government guaranties will be issued. Absent those guaranties, Financial Security has significant exposure to Dexia in addressing the current and potential liquidity requirements of the FP Business. Any failure by Dexia to support the FP Business could have a material adverse effect on Financial Security.

At March 31, 2009, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately $1,980,414,233 and its total net unearned premium reserve was approximately $2,476,302,376 in accordance with statutory accounting principles. At March 31, 2009, Financial Security's total shareholder's equity (net of any noncontrolling interest) was approximately $2,603,129,461 and its total net unearned premium reserve was approximately $2,605,459,851 in accordance with accounting principles generally accepted in the United States of America.

Portions of the following documents filed by Holdings with the Securities and Exchange Commission ("SEC") that relate to Financial Security are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) Annual Report of Holdings on Form 10-K for the year ended December 31, 2008; and

(ii) Quarterly Report of Holdings on Form 10-Q for the quarter ended March 31, 2009.

All information relating to Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov or at Holding's website at http://www.fsa.com or will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding Financial Security included herein under the captions "BOND INSURANCE – Financial Security Assurance Inc." and " – Recent Events Regarding Financial Security's Ratings" or included in a document incorporated by reference herein (collectively, the "Financial Security Information") shall be modified or superseded to the extent that any subsequently included Financial Security Information (either directly or through incorporation by reference) modifies or supersedes such previously included Financial Security Information. Any Financial Security Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

Recent Events Regarding Financial Security's Ratings and Ownership of Holdings. On May 20, 2009, Moody's Investors Service, Inc. placed Financial Security's "Aa3" insurance financial strength rating on review for possible downgrade.

On May 11, 2009, Fitch Ratings downgraded to "AA+" (Ratings Watch Negative) from "AAA" the insurer financial strength rating of Financial Security.

On April 21, 2009, Standard & Poor's Ratings Services affirmed Financial Security's "AAA" financial strength rating and removed it from Credit Watch with negative implications. In connection with such ratings affirmation, S&P assigned a negative outlook to Financial Security's "AAA" financial strength rating.

These ratings reflect only the views of the respective rating agencies, are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by those rating agencies. See "RATINGS."

On November 14, 2008, Holdings announced that, subject to relevant regulatory and other approvals, its parent Dexia and Assured Guaranty Ltd. ("Assured Guaranty") had entered into an agreement for Assured Guaranty to acquire all of Dexia's shares of Holdings. On July 1, 2009, Assured Guaranty announced that it had completed its acquisition of Holdings.

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 intends to defend itself against these suits vigorously. The County cannot predict, as of the date hereof, the final outcome of any of such claims and suits. None of such lawsuits or claims challenges the authority of the County to issue the Bonds or to pledge the security described herein to their payment.

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. Failure to comply with these laws and regulations may result in the imposition of administrative, civil and criminal penalties.

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 Houston and adjacent areas. Under the Clean Air Act Amendments of 1990, the eight county Houston-Galveston Consolidated Metropolitan Statistical Area ("CMSA") has been designated by the EPA as an ozone non-attainment area. Such areas are required to demonstrate progress in reducing ozone concentrations each year until compliance with EPA's ozone standards is achieved.

The Houston-Galveston CMSA initially was designated as a severe ozone non-attainment area under EPA's 1-hour ozone standard. As part of an overall program to achieve compliance with the 1-hour ozone standard, the EPA and TCEQ imposed a series of increasingly stringent limitations on emissions of "highly reactive" volatile organic compounds and nitrogen oxides ("NOx") from existing stationary sources of air emissions in the Houston-Galveston CMSA. Although these limitations were successful in reducing ozone concentrations, they were not sufficient for the Houston-Galveston CMSA to achieve compliance with the 1-hour ozone standard.

In April 2004, EPA introduced a new national ambient air quality standard for ozone, the 8-hour standard, which is considered to be somewhat more stringent than the previous 1-hour standard. EPA formally designated the Houston-Galveston CMSA as a moderate ozone non-attainment area under the new 8-hour standard and has required the Houston-Galveston CMSA to achieve compliance with the 8-hour standard by 2010. EPA is transitioning from the older, 1-hour standard to the new, 8-hour standard and, accordingly, revoked the 1-hour standard effective June 15, 2005. Although the 1-hour standard is no longer in effect, non-attainment areas such as the Houston-Galveston CMSA are not allowed to "back-slide" or lose progress already made towards attaining the 1-hour ozone standard. As a result, the specific emission control measures established in an effort to achieve compliance with the 1-hour standard must stay in place until the Houston-Galveston CMSA attains the 8-hour standard.

In addition to the emissions reductions previously required for the Houston-Galveston CMSA to achieve compliance with the 1-hour ozone standard, further emissions reductions will be required in order to achieve compliance with the new 8-hour ozone standard. In addition, any new source of significant air emissions, such as a new industrial plant, must provide for a net reduction of air emissions by arranging for other industries to reduce their emissions by 1.15 times the amount of pollutants proposed to be emitted by the new source. Due to the shortage of economically reasonable control options, it is possible that such emission reduction requirements could have a negative impact on the area's economic growth and development. If the Houston-Galveston CMSA fails to demonstrate progress in reducing ozone concentrations or fails to meet the 8-hour ozone standard by 2010, EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources for which construction has not already commenced.

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

In addition, TCEQ has announced enforcement initiatives addressed to sources of NOx and HRVOCs in the Houston area. TCEQ announced that it is dedicating additional enforcement resources to perform in-depth, on-site inspections of industrial facilities that have unauthorized emissions of significant amounts of HRVOCs in the past year. TCEQ also announced a diesel engine initiative, pursuant to which TCEQ will be investigating the regulatory compliance of stationary diesel engines at facilities along the Houston Ship Channel. Moreover, while the County continues to have the ability to inspect industrial facilities to determine whether they are complying with TCEQ-imposed air emissions limits, the County no longer is authorized by the State to bring direct enforcement actions against alleged violators; rather the County must refer its investigation results to the TCEQ for action. The County previously obtained the ability to pursue direct enforcement against violators on December 29, 2004, following amendment of a contract between the County and TCEQ that allowed the County to conduct investigations of industrial facilities. However, this contract, and the funding provided by TCEQ to assure its implementation, expired on September 1, 2005. The discontinuance of this contractual arrangement with the TCEQ and the loss of the associated funding is likely to diminish the City's role in performing facility investigations, and could have a limiting effect on the County's ability to help the Houston-Galveston CMSA attain compliance with EPA's ozone standards.

It remains to be seen exactly what steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur, and what impact such steps and any EPA responses may have upon the economy and the business and residential communities in the Houston-Galveston CMSA.

Area Topography and Land Subsidence

The land surface in certain areas of the County has subsided several feet since 1943 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 to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, encompasses an area which includes the existing surface water supplies. With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced.

BONDHOLDERS' REMEDIES

Toll Road Senior Lien Revenue Bonds

Remedies available under the Revenue Indenture to an owner of Toll Road Senior Lien Revenue Bonds, including the Bonds, if a default occurs, are described in APPENDIX B under the caption "Defaults and Remedies."

Special Rights of Bond Insurers and Credit Providers

The Revenue Indenture provides that any Supplemental Indenture may provide that issuers of municipal bond insurance, letters of credit or other instruments which guaranty the payment of principal of and interest on any Toll Road Senior Lien Revenue Bonds or Parity Notes may exercise the rights of the Owners thereof, including to direct the exercise of any remedies in the event of default or to consent to any future amendments to the Revenue Indenture, except with respect to any change in the terms of redemption, maturity of principal amount of such Toll Road Senior Lien Revenue Bonds or Parity Notes or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon.

ABSENCE OF LITIGATION REGARDING THE BONDS

On the date of delivery of the Bonds to the Underwriter, the County will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for the repayment or security, or in any manner question the validity of the Bonds.

REGISTRATION, SALE AND DISTRIBUTION

The Bonds have not been registered under the federal Securities Act of 1933, as amended (in reliance upon an exemption therefrom), or the blue sky laws of any jurisdiction. The Indentures have not been qualified under the federal Trust Indenture Act of 1939, as amended (in reliance upon an exemption therefrom).

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 of Texas. 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 (V.T.C.A., Government Code, Chapter 2256), 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 not made any investigation of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above entities or persons to purchase or invest in the Bonds.

TAX EXEMPTION

In the opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel, interest on the Bonds is (1) excludable under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or, except as hereinafter described, corporations.

The foregoing opinions of Bond Counsel are based on the Code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the Bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, Bond Counsel has assumed continuing compliance by the County with certain covenants of the Twenty-Seventh Supplemental Indenture authorizing the issuance of the Bonds (the "Supplemental Indenture") and has relied on representations by the County with respect to matters solely within the knowledge of the County, which Bond Counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the Bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the County file an information report with the Internal Revenue Service. If the

County should fail to comply with the covenants in the Supplemental Indenture, or if its representations relating to the Bonds that are contained in the Supplemental Indenture should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Interest on the Bonds owned by a corporation, other than an S corporation, a regulated investment company, a real estate investment trust (REIT), a real estate mortgage investment conduit (REMIC) or a financial asset securitization investment trust (FASIT), will be included in such corporation's adjusted current earnings for purposes of calculating such corporation's alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Code is computed.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on or acquisition or disposition of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the County described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the County as the "taxpayer," and the owners of the Bonds may have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the County may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Under the Code, taxpayers are required to provide information on their returns regarding the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Such prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

TAX TREATMENT OF PREMIUM BONDS

All of the Bonds were offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds, and the Underwriters have represented that a substantial amount of each maturity of the Bonds was sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering prices. Accordingly, all of the Bonds (the "Premium Bonds") will be considered for federal income tax purposes to have "bond premium" equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, 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 which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser's original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering prices for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving opinion of the Attorney General of the State of Texas and Andrews Kurth LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the County by Vince Ryan, County Attorney for Harris County, Texas and Greenberg Traurig, LLP, Houston, Texas, Special Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by their Counsel, Bates & Coleman, P.C., Houston, Texas.

The legal fees to be paid to Andrews Kurth LLP, Greenberg Traurig, LLP and Bates & Coleman P.C. in connection with the Bonds are contingent on the sale and delivery of the Bonds.

UNDERWRITING

Citigroup Global Markets, Inc., the Underwriter, has agreed, subject to certain conditions, to purchase the Bonds from the County at a price of $202,319,830.60, which reflects the par amount of the Bonds and a reoffering premium of $3,018,716.50, less an underwriting discount (including certain expenses) of $613,885.90. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed from time to time by the Underwriter.

Pursuant to the terms of the Remarketing Agreement, Citigroup Global Markets, Inc. is also expected to be compensated for services as Remarketing Agent for the Bonds.

FINANCIAL STATEMENTS

APPENDIX C to this Official Statement contains the basic financial statements of the County and the Toll Road Enterprise Fund for the Fiscal Year ended February 28, 2009. These financial statements of the County and the Toll Road Enterprise Fund, as of and for the Fiscal Year ended February 28, 2009 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 C.

The basic financial statements of the County 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 and the District, include financial information with respect to the Harris County Juvenile Board, the Harris County Sports & Convention Corporation, Harris County Hospital District, Harris County Housing Finance Corporation, Mental Health and Mental Retardation Authority of Harris County, Harris County Industrial Development Corporation, Children's Assessment Center Foundation, Inc., Harris County Housing Authority, Harris County Health Facilities Development Corporation, Harris County Cultural Education Facilities Finance Corp., separate entities which are not obligated for the payment of the Bonds. Accordingly, financial and statistical information with respect to such separate legal entities is generally not included in this Official Statement. Notwithstanding anything to the contrary contained in APPENDIX C, the Bonds are solely special obligations of the County payable from and secured as described in the section captioned "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS."

Notwithstanding anything to the contrary contained in APPENDIX C, the Bonds are solely obligations of the County.

The County is not required to file reports with the Securities and Exchange Commission ("SEC").

FINANCIAL ADVISOR

First Southwest Company has been retained by the County as its Financial Advisor in connection with the issuance of the Bonds and, in such capacity, has assisted the County in the preparation of documents. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance and delivery of the Bonds. Additionally, First Southwest Company has been retained by the County to act as its Swap Advisor in connection with employment of financial management products in accordance with the Financial Management Product Policy of the County. Additionally, First Southwest Company is retained from time to time by the County to advise the County on specific financial management products in accordance with the Financial Management Product Policy of the County.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, such firm has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the County's records 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 Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

RATINGS

Moody's Investors Service has assigned an underlying rating of "Aa3" to the Bonds. In addition, Moody's and Standard & Poor's Ratings Services have assigned short-term credit ratings of "VMIG 1" and "A-1+," respectively, to the Bonds. The ratings reflect only the views of the rating agencies, from whom an explanation of the significance of such ratings may be obtained. There is no assurance that ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal could have an adverse effect on the market price of any or all of the Bonds. The County will undertake no responsibility to notify the owners of the Bonds of any such revisions or withdrawals of ratings.

CONTINUING DISCLOSURE OF INFORMATION

In the Twenty-Seventh Supplemental Indenture, the County made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe this agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the Supplemental Indenture, the County will be obligated to provide certain updated financial information and operating data annually and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB intends to make such information available to the public free of charge.

Annual Reports

The County will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement in APPENDIX C and under the Schedules listed in APPENDIX F. The County will update and provide this information within six months after the end of each Fiscal Year.

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 an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial information and operating data which is customarily prepared by the County 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 C 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 end is the last day of February. Accordingly, it must provide updated information by August 31 in each year, unless the County changes its Fiscal Year. If the County changes its Fiscal Year, it will notify the MSRB of the change.

Material Event Notices

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the County will provide timely notice of any failure by the County to provide information, data or financial statements in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION—Annual Reports."

Availability of Information

The County has agreed to provide the foregoing information only to the MSRB. Such information will be available free of charge from the MSRB via the EMMA system at www.emma.msrb.org.

Limitations and Amendments

The County has agreed to update information and to provide notices of material 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 is 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 its continuing disclosure agreement or from any statement made pursuant to its 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 the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the County (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. 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 determines that such provisions are invalid, and the County may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent the Underwriter from purchasing the Bonds in the offering described herein in compliance with the Rule, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the County so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "CONTINUING DISCLOSURE OF INFORMATION—Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

For the past five years, the County has complied in all material respects with all continuing disclosure agreements made in accordance with the Rule with respect to the County's bonds and other obligations subject to the Rule, except as described in this paragraph. The annual financial information and operating data of the County which was due by August 31, 2007, was not provided by such date. The delayed filing resulted from the Fiscal Year 2006 annual financial report for Harris County being reissued, which resulted in a delay until October, 2007, in the completion of the County's annual audited financial information for Fiscal Year 2006, at which time the filing was made. The Fiscal Year 2006 annual financial report for the County was reissued in order to identify and test a major grant program and make certain corrections and restatements primarily related to fixed asset balances. The County has consulted with its Financial Advisor, Bond Counsel and Disclosure Counsel for advice relating to continuing disclosure compliance matters in an effort to develop and institute recommended practices and procedures to help ensure that required filings are made in a timely manner in the future.

OTHER FINANCIAL INFORMATION

The County intends to provide certain unaudited monthly financial statements and investment management reports for the benefit of the holders and beneficial owners of the Bonds. This financial information will be made available at the respective websites of the County Auditor (http://www.co.harris.tx.us/auditor) and the Office of Financial Services (http://www.co.harris.tx.us/Fin_Svcs/investments.aspx).

AUDITED FINANCIAL REPORT OF THE COUNTY

The County requires that an annual audit be performed by an independent public accounting firm in accordance with generally accepted auditing standards. The Fiscal Year 2009 audit, and additional financial information are available for public inspection, or copies may be obtained by written request to the extent permitted by law, addressed to the County Auditor.

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 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.

Copies of the Tax Indenture and Revenue Indenture are available upon request from Edwin Harrison, CIO, Director, Office of Financial Services, Harris County Administration Building, 1001 Preston, Suite 630, Houston, Texas 77002, (713) 755-

6532, upon the payment of reasonable reproduction and postage costs. The County's annual audited financial statements are available from Barbara J. Schott, C.P.A, County Auditor, Harris County Administration Building, 1001 Preston, 8th Floor, Houston, Texas 77002, (713) 755-6897, upon the payment of reasonable reproduction and postage costs and posted on the County website at www.hctx.net.

THIS OFFICIAL STATEMENT was approved on behalf of the County by the Commissioners Court.

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

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SCHEDULE I

Harris County, Texas
Toll Road Senior Lien Revenue Refunding Bonds,
Series 2004B-2

Maturity (August 15)	Principal Amount	Rate	Mandatory Tender Date (August 15)	CUSIP[1]
2015-2021	$199,915,000	5.00%	2009	414004YW5

[1] CUSIP numbers have been assigned to the Bonds by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the owners of the Bonds. Neither the County, the Financial Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP is a registered trademark 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 CUSIP Services.

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SCHEDULE II

HARRIS COUNTY TOLL ROAD AUTHORITY
INVESTMENT MANAGEMENT REPORT

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SCHEDULE II

HARRIS COUNTY TOLL ROAD AUTHORITY
Investment Management Report[(1)]

Harris County Financial Svcs
Houston ,Texas
Portfolio ID: HARRCTY

Management Report Summary -- #1

Values are "As of": 06/30/2009
Run Date: 07/22/2009 09:41:02

Fund 'List' Selected: TRAUNRES -- TOLL ROAD UNRESTRICTED

	U.S. Treasuries	*Federal Agencies*	*Tax Exmpt Municipals*	*Taxable Municipals*	*Commrcl Paper*	*Time Deposits*	*Repos*	*Loans*	*DDA*	*MMF*	*TE MMF*	*Total*
PAR VALUE ($000)		442,100		30,565				46,905		223,704		743,274
ACCOUNTING BOOK VALUE		442,756		30,565				31,860		223,704		728,885
MARKET VALUE		444,467		30,962				31,860		223,704		730,993
VARIANCE		1,711		397								2,108
PORTFOLIO WTD AVGS:												
Maturity (days)		713		511				2,138		1		580
Effctv Maty (days)		320		511				2,138		1		347
Pcnt of Total PAR		59.480%		4.112%				6.311%		30.097%		100.000%
BEY @ Cost		1.883%		3.274%				7.000%		0.280%		1.781%
BEY @ Mkt		1.182%		2.248%				7.000%		0.280%		1.321%
# of Securities		16		9				19		1		45
Maturity Distribution:												
Par Amt Maty/Avg Life:												
Less than 1 month		25,000								223,704		248,704
1 to 3 months		108,000		2,860								110,860
3 to 6 months		99,100										99,100
6 to 12 months		110,000		5,590								115,590
1 to 2 years		25,000		15,215				2,772				42,987
2 to 3 years		75,000		6,900				5,200				87,100
More than 3 years								38,932				38,932
Par Value Totals		442,100		30,565				46,905		223,704		743,274

(1) Harris County Toll Road unrestricted funds available for use only for system related purposes.

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APPENDIX A

GLOSSARY OF TERMS

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The following sets forth certain definitions used in this Official Statement. Reference is made to the Revenue Indenture and Tax Indenture, copies of which may be obtained from the County, for a full and complete statement of their provisions. A summary of the Revenue Indenture is included in APPENDIX B. See also the section captioned "AMENDMENTS TO THE REVENUE INDENTURE."

"Account" or "Accounts" means any one or more, as the case may be, of the accounts from time to time created in any of the Funds required to be maintained pursuant to the Indentures.

"Accountant" means any certified public accountant or firm of certified public accountants or accounting corporation of recognized experience and qualifications, selected by the County, and may be the accountant or firm of accountants that regularly audits the books of the County.

"Act" means, collectively, Chapter 284, Texas Transportation Code, and Chapters 1201, 1202, 1207, 1371, Texas Government Code, as they may be amended from time to time.

"Aggregate Debt Service" means (i) when used in reference to the Toll Road Tax Bonds, for any Fiscal Year, as of the date of calculation, the sum of the amounts of Debt Service for such Fiscal Year with respect to all series of Toll Road Tax Bonds; and (ii) when used in reference to the Toll Road Senior Lien Revenue Bonds, for any Fiscal Year or other period, as of the date of calculation, the sum of the amounts of Debt Service for such Fiscal Year or other period with respect to all Toll Road Senior Lien Revenue Bonds and Parity Obligations then Outstanding.

"Airport Connector" means the direct connection from the Hardy Toll Road north of Beltway 8-North to John F. Kennedy Boulevard serving George Bush Intercontinental Airport.

"Appraisal District" means the Harris County Appraisal District.

"Authenticating Agent" means any agent of the Trustee designated to authenticate Toll Road Bonds of any series, as provided in any Supplemental Indenture, and its successor or successors, which may include the Trustee. The current Authenticating Agent for the Toll Road Bonds is The Bank of New York Mellon Trust Company, National Association.

"Authorized Denominations" means with respect to Bonds which are in a Long-Term Interest Rate Period, $5,000 or any integral multiple thereof.

"Authorized Representative" shall mean the Director, Office of Financial Services of the County.

"Authority" means the Harris County Toll Road Authority, a department of Harris County, Texas.

"Bankruptcy Code" means Title 11 of the United States Code, as amended, and any successor statute.

"Beneficial Owner" means any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of the Bonds (including any Person holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bonds for federal income tax purposes.

"Bond Counsel" means Andrews Kurth LLP or any other attorney at law or firm of attorneys selected by the County of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bond Interest Term Rate" means, with respect to each Bond, a non-variable interest rate on such Bond established periodically in accordance with the Twenty-Seventh Supplemental Indenture.

"Bondholder" or "Holder" means, as of any time, the registered owner of any Bond as shown in the register kept by the Trustee as bond registrar.

"Bonds" means the Harris County, Texas, Toll Road Senior Lien Revenue and Refunding Bonds, Series 2009B (Long Term Interest Rate Period).

"Bridge" means the Sam Houston Ship Channel Bridge (formerly known as the Jesse H. Jones Memorial Bridge).

"Business Day" means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in any of the City of Houston, Texas, the City of New York, New York or any other municipalities in which the Principal Offices of the Trustee, the Tender Agent and the Remarketing Agent are located.

"Closing Date" means the date of delivery of the Bonds to the Underwriter against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended.

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

"Construction Fund" means, (i) with respect to the Toll Road Tax Bonds, the Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bond Construction Fund required to be maintained by the County pursuant to the Tax Indenture, and (ii) with respect to the Toll Road Senior Lien Revenue Bonds, the Harris County, Texas, Toll Road Senior Lien Revenue Bond Construction Fund required to be maintained by the County pursuant to the Revenue Indenture, and in each case, any separate accounts required to be maintained in the Construction Fund for the Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds, as applicable, pursuant to the terms of any Supplemental Indenture.

"Conversion" means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period (including the establishment of a new interest period within the Long-Term Interest Rate Period) as provided in the Twenty-Seventh Supplemental Indenture.

"Cost" or "Cost of the Project" or "Project Development Cost" means all costs of acquisition, construction, improvement, operation, and maintenance of the Project or any project or projects with which the Project is proposed to be pooled which meets the definition of cost of the project under the Act. Such costs shall include all reasonable costs of marketing and providing public information to inform the public of the services and facilities provided by the Project.

"County" means Harris County, Texas, a body politic and corporate and a political subdivision of the State of Texas.

"Daily Interest Rate" means a variable interest rate for the Bonds established in accordance with Twenty-Seventh Supplemental Indenture.

"Debt Service" means:

(i) with respect to the Toll Road Tax Bonds for any particular Fiscal Year, an amount equal to the sum of (a) all interest payable on such Toll Road Tax Bonds during such Fiscal Year, plus (b) the Principal Installments on such Toll Road Tax Bonds during such Fiscal Year (such interest and Principal Installments shall be calculated on the assumption that no Toll Road Tax Bonds Outstanding on the date of calculation will cease to be Outstanding, except by reason of the payment of each Principal Installment on the due date thereof); and

(ii) with respect to the Toll Road Senior Lien Revenue Bonds and Parity Obligations and for any particular Fiscal Year or other period and any series of Toll Road Senior Lien Revenue Bonds or Parity Obligations, an amount equal to the sum of (a) all interest accruing on such Toll Road Senior Lien Revenue Bonds and Parity Obligations during such period, except to the extent that such interest is to be paid from amounts (including any investment earnings thereon) deposited in the Debt Service Fund, Construction Fund, or elsewhere for the purpose of providing capitalized interest, and except to the extent that such accruing interest on such Toll Road Senior Lien Revenue Bonds or Parity Obligations is payable only at maturity or redemption (as with capital appreciation bonds), in which case the entire amount of such interest shall be deemed to accrue in the same manner as Principal Installments, plus (b) that portion of the Principal Installment or Installments of such Toll Road Senior Lien Revenue Bonds or Parity Notes which would accrue during such period if such Principal Installment or Installments were deemed to accrue monthly from a date one year prior to its due date or from the date of issuance of the respective series, whichever is later, plus or minus (c) net amounts payable or receivable under any Parity Hedge Agreements, which accrue during such period. For purposes of calculating Debt Service for Toll Road Senior Lien Revenue Bonds and Parity Obligations, the following rules shall apply.

(1) Interest and Principal Installments for any Series of Toll Road Senior Lien Revenue Bonds or Parity Notes shall be calculated on the assumption that no such bonds or Parity Notes of any series Outstanding on the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

(2) Interest and Principal Installments for any series of Parity Notes shall be calculated on the assumption that all Parity Notes shall be continuously refinanced with other Parity Notes or Toll Road Senior Lien Revenue Bonds so as to permit approximately equal annual amortization of Debt Service on such series of Parity Notes over a period of 30 years following depletion of any amounts provided for capitalized interest on such Parity Notes.

(3) Except as provided in (4) below, future Debt Service for any series of Toll Road Senior Lien Revenue Bonds or Parity Notes which bears interest at variable rates or which will at some future date bear interest at a rate or rates to be determined or which will be subject to conversion to an interest rate or interest rate mode such that rates cannot currently be ascertained shall be calculated using a rate which shall be estimated and certified by the Financial Advisor to the County as the rate that would have been borne by such Bonds or Parity Notes if they were at the date of certification issued (or remarketed as the case may be) as bearing a fixed rate of interest to their scheduled maturity date. The final scheduled maturity date for Parity Notes shall be assumed to be 30 years.

(4) Amounts payable and/or receivable by the County under Parity Hedge Agreements may be combined with payments of Debt Service on any series of Toll Road Senior Lien Revenue Bonds or Parity Notes to which the Parity Hedge Agreement relates. In such event, the Financial Advisor to the County shall

prepare a combined calculation of Debt Service with respect to the amounts payable and/or receivable under the Parity Hedge Agreement and the amounts of interest payable under the Toll Road Senior Lien Revenue Bonds or Parity Notes to which it relates, and in such calculation may offset amounts receivable by the County under the Parity Hedge Agreement against interest payable on related Toll Road Senior Lien Revenue Bonds or Parity Notes. Any remaining (i.e. not offset) payment obligations of the County under the Parity Hedge Agreement shall be treated as payments of interest for purposes of computing Debt Service and shall be calculated at the rate provided in such Parity Hedge Agreement the same as if it were an interest rate on Toll Road Senior Lien Revenue Bonds or Parity Notes, and if such rate is variable or otherwise not ascertainable at the time of calculation, shall be estimated by such Financial Advisor to the County in the same manner as herein provided for the estimation of Debt Service on Toll Road Senior Lien Revenue Bonds or Parity Notes bearing interest at variable rates or rates not ascertainable at the time of calculation. If not combined with payments of Debt Service on Toll Road Senior Lien Revenue Bonds or Parity Notes as set forth above, amounts payable and/or receivable by the County under Parity Hedge Agreements shall include only the net amount payable and/or receivable for purposes of computing Debt Service. See "AMENDMENTS TO THE REVENUE INDENTURE."

"Debt Service Fund" means, as the context requires, (i) with respect to the Toll Road Tax Bonds, the Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds Debt Service Fund required to be maintained by the County pursuant to the Tax Indenture; and (ii) with respect to the Toll Road Senior Lien Revenue Bonds, the Harris County, Texas Toll Road Senior Lien Revenue Bond Debt Service Fund established pursuant to the Revenue Indenture.

"Debt Service Reserve Fund" means the Harris County, Texas Toll Road Senior Lien Debt Service Reserve Fund required to be maintained pursuant to the Revenue Indenture.

"Debt Service Reserve Fund Requirement" or "Reserve Fund Requirement" means, as the context requires, (i) with respect to the Toll Road Tax Bonds, the Reserve Fund requirement, if any, required by the Tax Indenture; and (ii) with respect to the Toll Road Senior Lien Revenue Bonds or Parity Obligations, the amount established and stipulated in each Supplemental Indenture or at the option of the County on any date that a new surety policy is acquired or on any date that an existing surety policy expires, which must be not less than the average annual Aggregate Debt Service nor more than the maximum annual Aggregate Debt Service on the Toll Road Senior Lien Revenue Bonds or Parity Obligations in the current or any future Fiscal Year based upon calculations of Aggregate Debt Service for each such Fiscal Year performed as of the date of issuance of each series, which calculations must take into account the issuance of the series of Toll Road Senior Lien Revenue Bonds or Parity Obligations being issued as of the date of calculation; provided, however, that if any series of Toll Road Senior Lien Revenue Bonds or Parity Obligations will for any period of time beginning on the date of issuance be fully secured as to the payment of principal or purchase price thereof and interest thereon during such period by the pledge of all or a portion of the proceeds of such series pursuant to a written escrow or trust agreement with the Trustee, Paying Agent or any Tender Agent, then the Debt Service Reserve Fund Requirement with respect to such series of Toll Road Senior Lien Revenue Bonds or Parity Obligations will not begin to apply until such date as such series of Toll Road Senior Lien Revenue Bonds or Parity Obligations is no longer fully secured pursuant to such agreement. See "SECURITY FOR THE TOLL ROAD SENIOR LIEN REVENUE BONDS—Flow of Funds—Reserve Fund." See "AMENDMENTS TO THE REVENUE INDENTURE."

"Downtown Connector" means the proposed direct connection from the Hardy Toll Road southern terminus at Loop 610 to downtown Houston.

"DTC" means The Depository Trust Company, New York, New York.

"EPA" means the United States Environmental Protection Agency.

"Event of Default" means, with respect to the Toll Road Tax Bonds, an Event of Default as defined in the Tax Indenture, and, with respect to the Toll Road Senior Lien Revenue Bonds, an Event of Default as defined in the Revenue Indenture as set out in APPENDIX B under the caption—"Defaults and Remedies."

"Favorable Opinion of Bond Counsel" means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the County, and the Remarketing Agent, as applicable, to the effect that such action is permitted under the Twenty-Seventh Supplemental Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation (subject to customary exceptions).

"Financial Advisor" means First Southwest Company.

"Fiscal Year" means the fiscal year as established by the County which is the 12-month period from March 1 through the last day of February, but which may be changed from time to time.

"Funds" means any one or more, as the case may be, of the separate special funds created and established or required to be maintained pursuant to the Indentures.

"Hardy Toll Road" means that toll road described under "THE TOLL ROAD PROJECT—Hardy Toll Road."

"HCTRA" means the Authority.

"Indenture" shall mean the Indenture as from time to time supplemented and amended, including by the Twenty-Seventh Supplemental Indenture.

"Independent Traffic Engineer" shall mean an engineering firm or corporation retained by the County pursuant to the provisions of the Indentures to carry out the duties supposed by the Indentures on the Independent Traffic Engineer.

"Interest Accrual Date" with respect to the Bonds means:

(a) for any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period;

(b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month;

(c) for any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long Term Interest Rate Period, other than the last such Interest Payment Date;

(d) for each Bond Interest Term within a Short-Term Interest Rate Period, the first day thereof; and

(e) for each Windows Interest Rate Period, the first day thereof and, thereafter, the first Thursday of each month during such Windows Interest Rate Period.

"Interest Payment Date" means:

(a) for any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if the first Wednesday is not a Business Day, the next succeeding Business Day;

(b) for any Daily Interest Rate Period, the fifth Business Day of the next succeeding calendar month;

(c) for any Long Term Interest Rate Period, each February 15 and August 15, or if any such date is not a Business Day, the next succeeding Business Day;

(d) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term;

(e) for each Interest Rate Period, the day next succeeding the last day thereof; and

(f) for any Windows Interest Rate Period, the first Thursday of each calendar month, or if the first Thursday is not a Business Day, the next succeeding Business Day.

"Interest Rate Period" means each Daily Interest Rate Period, Weekly Interest Rate Period, Windows Interest Rate Period, Short Term Interest Rate Period, or Long Term Interest Rate Period.

"Investment Security" or "Investment Securities" means those specified as Investment Securities in APPENDIX B, including currently (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the County 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; and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the County 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.

"Long-Term Interest Rate" means a term, non variable interest rate established in accordance with the Twenty-Seventh Supplemental Indenture.

"Long-Term Interest Rate Period" means each period during which a Long Term Interest Rate is in effect.

"Maximum Bond Interest Rate" means the lesser of 12% per annum and the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest allowable pursuant to Chapter 1204, Texas Government Code, as amended, or any successor statute.

"METRO" means the Metropolitan Transit Authority of Harris County, Texas, a regional transit authority created pursuant to Chapter 451, Texas Transportation Code, as amended.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the *laws* of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by notice to the County and the Trustee.

"Net Revenues" means, (i) with respect to the Toll Road Tax Bonds, for any Fiscal Year or other period of time, the Revenues less the sum of (i) the Project Expenses and (ii) the aggregate of principal and interest payments made, or to be made, on Senior Indebtedness during the period for which Net Revenues are computed, or such other amount as may be defined as "Net Revenues" by a Supplemental Indenture and (ii) with respect to the Toll Road Senior Lien Revenues Bonds, for any Fiscal Year or other period of time, the Revenues less the Operating Expenses.

"Officer's Pricing Certificate" shall mean a certificate or certificates to be signed by the Authorized Representative.

"Operating Expenses" as defined in the Revenue Indenture means only so much of the Project Expenses as constitute the County's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Project and ordinary acquisition of equipment and any other current expenses or obligations required to be paid by the County under the provisions of the Revenue Indenture or by law, all to the extent properly and directly attributable to the operation of the Project, but not any costs or expenses for new construction or any allowance for depreciation.

"Operating Reserve" means, as of any particular time of calculation, an amount of money to be retained in the Revenue Fund pursuant to the Revenue Indenture which is equal to two months of Project Expenses, as set out in the County's annual budget for the Project.

"Order" means the order of the Commissioners Court authorizing issuance of the Bonds, together with the Officer's Pricing Certificate executed by an authorized representative of the County designated in such order.

"Outstanding" means as of any date, with respect to any Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds or Parity Obligations, as the case may be, the Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds or Parity Obligations theretofore or thereupon being authenticated and delivered pursuant to the indenture pertaining to such bonds except: (i) the Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds or Parity Obligations canceled or delivered for cancellation at or prior to such date; (ii) the Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds or Parity Obligations in lieu of or in substitution for which other Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds or Parity Obligations have been authenticated and delivered pursuant to the indenture pertaining to such bonds; and (iii) the Toll Road Tax Bonds or Toll Road Senior Lien Revenue Bonds or Parity Obligations deemed to have been paid or defeased as provided in the indenture pertaining to such bonds or obligations or in any supplemental indenture thereto or as provided by law.

"Owner," "Owners," "Bondholder," or "Bondholders" means the registered owner or owners of any of the Bonds.

"Parity Credit Agreement" as defined in the Revenue Indenture means any agreement between the County and a third party financial institution pursuant to which such third party financial institution issues a letter of credit, municipal bond insurance policy, line of credit, standby purchase agreement, surety policy, surety bond, or other guarantee for the purpose of enhancing the creditworthiness or liquidity of any of the County's obligations pursuant to any Toll Road Senior Lien Revenue Bonds, Parity Notes or Parity Hedge Agreements; and in consideration for which the County may agree to pay certain fees and to reimburse and repay any amounts advanced under such Parity Credit Agreement, together with interest and other stipulated costs and charges.

"Parity Hedge Agreement" as defined in the Revenue Indenture means any agreement between the County and a qualifying financial institution (as described in the following sentence) for the purpose of providing an interest rate swap, cap, collar, floor, forward or other hedging mechanism, arrangement or security, however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on any portion of any Toll Road Senior Lien Revenue Bonds or Parity Notes. A Parity Hedge Agreement may only be entered into with a financial institution which (a) for a transaction having a term of less than ten years, has long-term credit ratings in one of the three highest generic rating categories by at least two nationally recognized rating services or (b) for a transaction having a term of ten years or longer, has at the time of entering into such transaction long-term credit ratings in one of the two highest generic rating categories by at least two nationally recognized rating services; provided, however, that such rating requirement may be satisfied by a third party with the requisite rating with whom the financial institution and/or the County have a contractual arrangement pursuant to which such third party provides credit support for the Parity Hedge Agreement. See "AMENDMENTS TO THE REVENUE INDENTURE."

"Parity Notes" as defined in the Revenue Indenture means any note or notes, as the case may be, issued pursuant to a commercial paper program and authenticated and delivered under and pursuant to the Revenue Indenture, and secured by the Revenue Trust Estate. The Series E Notes are Parity Notes under the Revenue Indenture.

"Parity Obligations" as defined in the Revenue Indenture means any of the following obligations of the County issued or incurred pursuant to the Revenue Indenture:

(i) Parity Notes;

(ii) Any and all repayment, reimbursement or other obligations arising pursuant to any Parity Credit Agreement; and

(iii) Any and all payment obligations arising pursuant to any Parity Hedge Agreements which may be netted against amounts, if any, due the County pursuant to such Parity Hedge Agreements.

“Participant” means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively. “Paying Agent” shall mean The Bank of New York Mellon Trust Company, National Association, or such other bank or trust company or national banking institution as the County may designate from time to time which meets the requirements of the Indenture.

“Paying Agent” means The Bank of New York Mellon Trust Company, National Association or such other bank or trust company or national or state banking association as the County may designate from time to time which meets the requirements of the Indentures.

“Payment Date” means each Interest Payment Date or any other date on which any principal of, premium, if any, or interest on the Bonds is due and payable for any reason, including without limitation upon any redemption of the Bonds pursuant to the Indenture.

“Person” means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

“Pooled Project” means the Beltway 8 and Hardy Street Project, together with the component facilities pooled with the Beltway 8 and Hardy Street Project pursuant to a resolution adopted by Commissioners Court on September 8, 2001, and such Pooled Project shall constitute the Project for purposes of the Indentures. See also definition of “Project.”

“Principal Installment” or “Principal Installments” means (i) with respect to the Toll Road Tax Bonds, as of any particular date of computation and with respect to Toll Road Tax Bonds of a particular series, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Toll Road Tax Bonds of such series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Toll Road Tax Bonds of such series which would at or before such future date be retired as a result of Sinking Fund Installments applied in accordance with the Tax Indenture or a Supplemental Indenture plus (b) the amount of any Sinking Fund Installment payable on such future date for the retirement of any Outstanding Toll Road Tax Bonds of such series; (ii) with respect to Toll Road Senior Lien Revenue Bonds of a particular series, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Toll Road Senior Lien Revenue Bonds of such series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Toll Road Senior Lien Revenue Bonds of such series which would at or before said future date be retired as a result of Sinking Fund Installments applied in accordance with the Revenue Indenture or a Supplemental Indenture plus (b) the amount of any Sinking Fund Installment payable on such future date for the retirement of any Outstanding Toll Road Senior Lien Revenue Bonds of such series; and (iii) with respect to Parity Notes, except to the extent actually paid from the Revenue Trust Estate (and not from proceeds of other Parity Notes or Toll Road Senior Lien Revenue Bonds issued for refunding or refinancing purposes), each series shall be deemed to have Principal Installments in each of the 30 consecutive Fiscal Years beginning in the Fiscal Year following the depletion of any amounts provided as capitalized interest for such series of Parity Notes, which Principal Installments shall be in such amounts as shall be calculated by the County's Financial Advisor to achieve an approximately equal annual amortization of Debt Service on such series of Parity Notes over such 30 year period.

“Project” shall mean all of the County's right, title and interest (whether such interest is fee, easement, leasehold, contractual or otherwise) in and to (i) the Beltway 8 and the Hardy Street Project and (ii) such other project or projects, or interest therein, with which the Project may be pooled pursuant to the Act or other applicable law (each of which shall be a “Pooled Project”). “Beltway 8 and Hardy Street Project” shall mean: (1) the Beltway 8, which will consist of the road or turnpike encircling Loop 610; and (2) Hardy Street, which will consist of the road or turnpike running from North Loop 610 on the south to the Montgomery/Harris County line on the north.

Pursuant to a resolution adopted by the Harris County Commissioners Court on September 25, 2001, the following projects, including each component facility, have been pooled with the Beltway 8 and Hardy Street Project:

(1) *State Highway 288*, between US 59 and Grand Parkway South (State Highway 99) for a distance of approximately 18½ miles;

(2) *Fort Bend Parkway Tollway*, between the Harris County-Fort Bend County line near the intersection of Beltway 8 South and Hillcroft and the Grand Parkway South (State Highway 99) south of State Highway 6 for a distance of approximately 14½ miles;

(3) *Fort Bend Westpark Tollway*, between FM 1464 and the Grand Parkway West (State Highway 99) for a distance of approximately 5 miles;

(4) *IH 10 West Toll Lanes*, between IH 610 West and FM 1463 in Katy for a distance of approximately 22½ miles and between IH 610 and Highway 6 for a distance of approximately 12 miles;

(5) *Northwest Corridor Tollway*, between IH 610 North and the Grand Parkway North (State Highway 99) near Tomball for a distance of approximately 20½ miles;

(6A) *Grand Parkway Tollway Northwest*, between IH 10 West near Katy and US 59 North, crossing US 290, State Highway 249 and IH 45 North, for a distance of approximately 53 miles;

(6B) *Grand Parkway Tollway South,* between US 59 South and the Fred Hartman Bridge (State Highway 146) for a distance of approximately 62 miles;

(6C) *Grand Parkway Tollway East,* between IH 10 East and US 59 North for a distance of approximately 39½ miles;

(7) *Beltway 8 Tollway East,* between US 59 North and US 90 East for a distance of approximately 14 miles;

(8) *State Highway 87 Toll Bridge,* from the east end of Galveston Island to the Bolivar Peninsula for a distance of approximately 7 miles;

(9) Proposed Thoroughfares Across Barker Reservoir, as follows:

(A) *Kingsland Blvd. Thoroughfare,* between Barker Cypress Road and State Highway 6 for a distance of approximately 3½ miles;

(B) *Briar Forest Extension,* between the intersection of Briar Forest and State Highway 6 and the west side of the Barker Reservoir for a distance of approximately 5 miles; and

(C) *Barker Cypress Thoroughfare*, between IH 10 West and the Westpark Tollway for a distance of approximately 5 miles;

(10) *US 290 Toll Lanes*, between IH 610 West and the Grand Parkway Northwest (State Highway 99) for a distance of approximately 24 miles;

(11) *Southern Pacific Railroad Corridor*, between US 90A (South Main Street) and IH 610 North for a distance of approximately 9½ miles;

(12) *State Highway 35 South*, between Old Spanish Trail and Grand Parkway South (State Highway 99) for a distance of approximately 20 miles;

(13) *Fairmont Parkway East,* between Beltway 8 East and Grand Parkway East (State Highway 99) for a distance of approximately 9½ miles;

(14) *Westpark Tollway,* between IH 610 West and FM 1464 west of State Highway 6 for a distance of approximately 14 miles; and

(15) *South Post Oak Road Extension*, between IH 610 South and near the intersection of Beltway 8 and Hillcroft in the vicinity of the Fort Bend Parkway Tollway for a distance of approximately 5½ miles;

and shall include without limitation all of the following which are necessary or useful in connection therewith: causeways, bridges, tunnels, turnpikes, highways or any combination of such facilities, and all overpasses, underpasses, interchanges, entrance plazas, toll houses, service stations, approaches, fixtures, accessories, equipment and administration, storage and all other buildings, together with all property rights, easements and interests acquired in connection therewith, and any other improvements, extensions and betterments as may now be permitted by the Act, expressly including approaches to or extension of the Hardy Toll Road which connect the Hardy Toll Road to Houston Intercontinental Airport and to Downtown Houston, U.S. 59 and I.H. 10.

For a discussion of the County’s June 2005 reevaluation and prioritization of the future development of the toll road system into five primary and two secondary projects, see the section captioned “THE TOLL ROAD PROJECT-General.”

“Project Expenses” means the County's costs and expenses of maintenance, repair, operation and administration of the Project and includes without limiting the generality of the foregoing: (i) salaries, supplies, utilities, labor and rent; (ii) fees and expenses for data processing, policing, insurance, legal, accounting and engineering services, the Trustee, depositories or Paying Agents, letters of credit and credit facilities, consulting and banking services (which may include premiums, costs and expenses relating to interest rate caps, limits or guarantees); (iii) costs of issuance not paid as a Cost of the Project; and (iv) payments to pension, retirement, health, and hospitalization funds. Such expenses shall include all reasonable expenses of marketing and providing public information to inform the public of the services and facilities provided by the Project.

“Project Toll Revenues” means revenue from the collection of tolls as set forth under the section captioned “THE TOLL ROAD PROJECT.”

“Record Date” means with respect to any Interest Payment Date during any Long-Term Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day.

“Refunded Bonds” shall mean the County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2004B-2.

“Registrar” shall mean The Bank of New York Mellon Trust Company, National Association, and its successors in such capacity.

"Remarketing Agent" means each Person qualified under the Twenty-Seventh Supplemental Indenture to act as Remarketing Agent for the Bonds and appointed by the County, initially Citigroup Global Markets, Inc.

"Remarketing Agreement" means a Remarketing Agreement between the County and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Twenty-Seventh Supplemental Indenture, as amended from time to time.

"Redemption Price" or "Redemption Prices" means the principal amount of any Bond plus the applicable premium, if any, payable upon redemption thereof.

"Reserve Fund Requirement." See definition of "Debt Service Reserve Fund Requirement."

"Register" means the registration books kept by the Registrar which show ownership of the Bonds.

"Renewal and Replacement Fund" as defined in the Revenue Indenture means the Harris County, Texas County Toll Road Renewal and Replacement Fund established pursuant to such Revenue Indenture.

"Revenue Fund" means (i) with respect to the Toll Road Tax Bonds the Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds Revenue Fund required to be maintained by the County pursuant to the Tax Indenture; and (ii) with respect to the Toll Road Senior Lien Revenue Bonds, the Harris County, Texas Toll Road Senior Lien Revenue Bonds Revenue Fund required to be maintained by the County pursuant to the Revenue Indenture.

"Revenue Indenture" means the Second Amended and Restated Toll Road Senior Lien Revenue Bond Trust Indenture, as supplemented to date, and the Twenty-Seventh Supplemental Indenture, dated as of July 1, 2009 between the County and The Bank of New York Mellon Trust Company, National Association, as Trustee.

"Revenues" means all amounts derived from the ownership or operation of the Project which constitute revenues in accordance with generally accepted accounting principles, including any amounts derived from the ownership or operation of any project or project with which the Project may be pooled.

"Revenue Trust Estate" includes any and all property of every kind or nature which may be assigned, hypothecated, endorsed, pledged, granted or delivered to or deposited with the Trustee as security under the Revenue Indenture.

"Sam Houston Tollway" means that tollroad described under "THE TOLL ROAD PROJECT—Sam Houston Tollway."

"SEC" means the United States Securities and Exchange Commission or any successor agency thereto.

"Securities Act" means the Securities Act of 1933, as amended, and any successor thereto.

"Securities Depository" shall mean any securities depository that (1) is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 7A of the Securities Exchange Act of 1934, as amended, operating and maintaining, with its participants or otherwise, a Book Entry System of record ownership of beneficial interests in the Bonds and (2) effects transfers of the Bonds, in Book Entry Form.

"Securities Exchange Act" means the Securities and Exchange Act of 1934, as amended, and any successor thereto.

"Series E Notes." See "TOLL ROAD FINANCIAL INFORMATION—Toll Road Commercial Paper Notes."

"Senior Indebtedness" means (a) the principal of, premium, if any, and interest on (i) indebtedness (other than the Toll Road Tax Bonds) of the County for money borrowed for Project purposes evidenced by bonds, notes, warrants or similar obligations, including any obligation to make payments with respect to money borrowed by any other person for Project purposes whether any such indebtedness is outstanding on the date of the Tax Indenture or thereafter created, assumed or incurred, (ii) certain capitalized lease obligations for Project purposes, whether outstanding on the date of the Tax Indenture or thereafter incurred, and (iii) indebtedness incurred, or assumed by the County (whether outstanding on the date of the Indenture or thereafter crated, assumed or incurred) for Project purposes, unless, in each case referred to in clauses (i), (ii) or (iii) above, by the terms of the instrument creating or evidencing the indebtedness it is provided that such indebtedness ranks on a parity with the Toll Road Tax Bonds and is entitled to like rights of subrogation, or is subordinated to, or is otherwise not superior in right of payment to, the Toll Road Tax Bonds, and (b) any other indebtedness, liability or obligation contingent or otherwise, of the County for Project purposes (any such indebtedness, liability or obligation being hereinafter in this definition referred to as an "Obligation"), and any endorsement or other contingent obligation in respect of any Obligation of another for Project purposes, which is assumed or incurred by the County after the date of the Tax Indenture and which, when assumed or incurred, is specifically designated by the County as Senior Indebtedness for the purposes set forth in the Tax Indenture in the instrument creating or evidencing such Obligation or in the instrument creating or evidencing the County's liability with respect to the Obligation of another, and (c) any refundings, renewals or extensions of any indebtedness, liability or obligation described in clauses (a) or (b) above. Senior Indebtedness shall not, however, include obligations incurred in connection with the purchase of materials for services in the ordinary course of business and for the payment of which funds have been budgeted or otherwise appropriated.

"SIFMA Index" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Series 2009B Bond Market Association) ("SIFMA") or any Person' acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Trustee and effective from such date.

"Sinking Fund Installment" means, as of any particular date of calculation and with respect to any series of Toll Road Bonds, the amount of money to be applied as the redemption price of Toll Road Bonds in any Fiscal Year prior to maturity pursuant to the Supplemental Indenture for such series, as such installment has been previously reduced by the principal amount of any Toll Road Bonds of such series of the maturity with respect to which such Sinking Fund Installment is payable which are purchased or redeemed by the Trustee in accordance with the provisions of the Indentures, other than a Sinking Fund Installment redemption or purchase.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by notice to the County and the Trustee.

"State" means the State of Texas.

"Supplemental Indenture" means any indenture supplemental to or amendatory of the Revenue Indenture or Tax Indenture, as applicable, adopted by the County in accordance with and pursuant to the Revenue Indenture or Tax Indenture, as applicable.

"Surplus Fund" means (i) with respect to the Toll Road Tax Bonds, the Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds Surplus Fund required to be maintained by the County pursuant to the Tax Indenture; and (ii) with respect to the Toll Road Senior Lien Revenue Bonds, the Harris County, Texas Toll Road Senior Lien Revenue Bonds Surplus Fund required to be maintained by the County pursuant to the Revenue Indenture.

"Tax Fund" means the Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Bonds Tax Fund required to be maintained by the County pursuant to the Tax Indenture.

"Tax Indenture" means the Toll Road Unlimited Tax and Subordinate Lien Revenue Bond Trust Indenture dated as of October 1, 1984, between the County and the Trustee, as supplemented.

"Tax Trust Estate" includes any and all property of every kind or nature which may be assigned, hypothecated, endorsed, pledged, granted or delivered to or deposited with the Trustee as security under the Tax Indenture.

"Tender Agent" means each Person qualified under the Twenty-Seventh Supplemental Indenture to act as Tender Agent with respect to the Bonds and so appointed by the County and so acting from time to time, and its successors, initially The Bank of New York Mellon Trust Company, National Association.

"Tender Date" means the date on which the Bonds are required to be purchased pursuant to the Twenty-Seventh Supplemental Indenture.

"Tender Price" means the purchase price to be paid to the Holders of Bonds purchased pursuant to the Twenty-Seventh Supplemental Indenture, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Accrual Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Interest Rate Period on a date on which the Bonds being converted would otherwise be subject to optional redemption pursuant to the Twenty-Seventh Supplemental Indenture if such Conversion did not occur, the Tender Price shall also include the optional redemption premium, if any, provided for such date under the Twenty-Seventh Supplemental Indenture.

"Toll Road Bonds" means the Toll Road Tax Bonds and the Toll Road Senior Lien Revenue Bonds issued for the purpose of providing funds to pay the Cost of the Project.

"Toll Road Senior Lien Revenue Bonds" mean that portion of the Toll Road Bonds issued under the Revenue Indenture, including the Bonds and those Outstanding Toll Road Senior Lien Revenue Bonds listed in "APPENDIX D—OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS."

"Toll Road Tax Bonds" means (i) that portion of the Toll Road Bonds issued under the Tax Indenture, and (ii) any other tax bonds issued by the County pursuant to the authorization given by the voters in the election held on September 13, 1983.

"Traffic Engineer" means the traffic engineer employed by the County pursuant to the provisions of the Revenue Indenture to carry out duties imposed by the Revenue Indenture on the Traffic Engineer.

“Trust Estate” means, as the context requires, the Tax Trust Estate or the Revenue Trust Estate and includes any and all property of every kind or nature which may be assigned, hypothecated, endorsed, pledged, granted or delivered to or deposited with the Trustee as security under the respective Indentures.

“Trustee” means The Bank of New York Mellon Trust Company, National Association , and its successors in such capacity.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended, and any successor thereto.

“Twenty-Seventh Supplemental Indenture” means, with respect to the Toll Road Senior Lien Revenue Bonds, the Twenty-Seventh Supplemental Toll Road Senior Lien Revenue Bond Trust Indenture between the County and the Trustee dated as of July 1, 2009, authorizing the issuance of the Bonds.

“TxDOT” means the Texas Department of Transportation.

“Undelivered Series Bond” means any Bond which constitutes an Undelivered Bond under the provisions of the Twenty-Seventh Supplemental Indenture.

“Underwriter” means Citigroup Global Markets Inc.

“Weekly Interest Rate” means a variable interest rate for the Bonds established in accordance with the Twenty-Seventh Supplemental Indenture.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect for the Bonds.

“Windows Interest Rate” means a variable interest rate for the Bonds established in accordance with the Twenty-Seventh Supplemental Indenture.

“Windows Interest Rate Period” means each period during which a Windows Interest Rate is in effect for the Bonds.

APPENDIX B

SUMMARY OF THE REVENUE INDENTURE

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APPENDIX B

SUMMARY OF THE REVENUE INDENTURE

The Revenue Indenture, which includes the Twenty-Seventh Supplement thereto, contains various covenants and security provisions, certain of which are summarized below or elsewhere in this Official Statement. Reference should be made to the Revenue Indenture, a copy of which may be obtained form the County, for a full and complete statement of its provisions. See also the section captioned "AMENDMENTS TO THE REVENUE INDENTURE."

Permitted Investments

The Revenue Indenture requires that all amounts held in any Fund or Account under the Revenue Indenture by either the Trustee or the County must either be (i) continuously and fully secured for the benefit of the County and the Owners of Toll Road Senior Lien Revenue Bonds by either direct obligations of or obligations guaranteed by the United States of America or secured in the manner required by the laws of the State of Texas for public funds or (ii) invested in Investment Securities so long as they mature not later than such times as will be necessary to provide money when needed for payments to be made from such Funds and Accounts. "Investment Securities" means investments authorized from time to time pursuant to the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code or other applicable laws of the State of Texas, which mature not later than such times as shall be necessary to provide moneys for payments from such Funds or Accounts.

Interest earned or profits realized from investing any amounts in the Construction Fund, and amounts representing capitalized interest in the Debt Service Fund, may be retained in such Funds. Interest earned from investing amounts in any other Fund or Account will be transferred into the Revenue Fund.

Toll Classification

The County is required to classify tolls in a manner that will apply to all traffic in a uniform manner within any reasonable class. No free service will be permitted on the Project, except for authorized official and emergency vehicles and vehicles whose passage is determined to be in the public's interest and the interest of the Project.

Annual Budget

After any part of the Project is completed and operational, the County has covenanted in the Revenue Indenture to file with the Trustee an annual budget for each Fiscal Year that includes the estimated Project Expenses for such Fiscal Year, in addition to the amount required to establish and maintain an operating reserve sufficient to pay two months' Project Expenses. The County may, at any time, adopt an amended annual budget or budgets for the remainder of the then Current Fiscal Year. Until a new annual budget is adopted, the prior Fiscal Year's annual budget shall be deemed to be the annual budget for that Fiscal Year.

Consulting Engineers Reports on Projects

In the Revenue Indenture, the County covenants and agrees that after the Project or any part of it is completed and operational, the County will cause the Consulting Engineers to make an inspection of the Project or part or parts thereof which have been completed from time to time and to submit to the County a report setting forth (i) their findings whether the Project has been maintained in good repair, working order and condition, (ii) their advice and recommendations as to the proper maintenance, repair and operation of the Project during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes, including their recommendations as to the total amounts and classifications of items and amounts that should be provided for Project Expenses in the annual budget for the next ensuing Fiscal Year and (iii) their advice and recommendations as to the insurance to be carried under the provisions of the Tax Indenture. The Revenue Indenture provides that copies of such reports are to be filed with the Trustee.

Construction Contracts

In the Revenue Indenture, the County covenants and agrees that before entering into any construction contract it will secure the recommendation of the Consulting Engineers and that it will require each person, firm or corporation with whom it may contract for labor or materials in connection with the construction of the Project or any part thereof to furnish a performance bond and a payment bond in the full amount of any contract to the extent required by law, and to carry such workmen's compensation or employer's liability insurance as may be required by law. The County further covenants and agrees that the proceeds of any such performance bond and payment bond will forthwith, upon receipt of such proceeds, be deposited in the Construction Fund established pursuant to the Revenue Indenture and applied toward the completion of the contract in connection with which such performance bond and payment bond shall have been furnished.

Rules and Regulations; Maintenance of Project

In the Revenue Indenture, the County covenants that it will establish and enforce reasonable rules and regulations governing the use of the Project and the operation thereof will be reasonable, that no more persons will be employed by it than are necessary, that it will maintain and operate the Project in an efficient and economical manner, that, from the Revenues of the Project or other moneys legally available therefor, it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Project.

Consulting Engineers; Traffic Engineers

In the Revenue Indenture, the County covenants that, as long as there are any Outstanding Toll Road Senior Lien Revenue Bonds, Parity Notes or other Parity Obligations, it will employ Consulting Engineers or Traffic Engineers as necessary to comply with the Revenue Indenture.

Insurance

In the Revenue Indenture, the County covenants that during the construction of the Project or any part thereof it will carry or cause to be carried such builders' risk insurance, if any, as shall be recommended by the Consulting Engineers.

Sale or Encumbrance of Project

In the Revenue Indenture, the County covenants that, as long as there are any Bonds and Parity Notes, or other Parity Obligations Outstanding, and except as in the Revenue Indenture otherwise permitted, it will not sell or otherwise dispose of the Project or any part thereof unless it determines that such sale or other disposal is in the best interest of the Project and not materially adverse to the rights of the Owners of the Toll Road Senior Lien Revenue Bonds, Parity Notes or other Parity Obligations. Such covenant, however, shall not limit the ability of the County to issue Toll Road Senior Lien Revenue Bonds and Parity Notes and incur Parity Obligations, to dispose of surplus property, to enter into contracts with respect to the lease or operation of all or any part of the Project, and to pool the Beltway 8 and Hardy Street Project with any other Project.

Defaults and Remedies

Any of the following events will constitute an "Event of Default" under the Revenue Indenture:

(i) failure to make the due and punctual payment of the principal or Redemption Price of any Toll Road Senior Lien Revenue Bond when due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) failure to make the due and punctual payment of any installment of interest on any Toll Road Senior Lien Revenue Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such installment is due on the maturity date of such Toll Road Senior Lien Revenue Bonds) when due and payable, and such failure continues for 30 days;

(iii) failure by the County in the performance or observance of any other of the covenants, agreements, or conditions on its part contained in the Revenue Indenture or in the Toll Road Senior Lien Revenue Bonds, and such default continues for a period of 60 days after written notice thereof to the County by the Trustee or to the County and to the Trustee by the Owners of not less than 25% in principal amount of the Toll Road Senior Lien Revenue Bonds Outstanding;

(iv) if the County: (a) files a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment, or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing; (b) takes any action indicating its consent to, approval of, or acquiescence in, any such petition or proceeding; (c) applies for, or consents or acquiesces in the appointment of, a receiver or a trustee of the County or for all or a substantial part of its property; (d) makes an assignment for the benefit of creditors, or (e) is unable, or admits in writing its inability, to pay its debts as they mature; or

(v) if proceedings have commenced against the County, without its authorization, consent or application, in bankruptcy or seeking reorganization, arrangement, readjustment, or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing, or seeking the involuntary appointment of a receiver or trustee of the County or for all or a substantial part of its property, and the same continues for 90 days undismissed or undischarged or results in the adjudication of bankruptcy or insolvency.

If an Event of Default occurs and is continuing, then the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Toll Road Senior Lien Revenue Bonds Outstanding, must: (i) by mandamus or other suit, action, or proceeding at law or in equity require the County to perform its covenants, representations, and duties under the Revenue Indenture; (ii) bring suit upon the Toll Road Senior Lien Revenue Bonds; (iii) by action or suit in equity require the County to account as if it were the trustee of an express trust for the Owners of the Toll Road Senior Lien

Revenue Bonds; (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Toll Road Senior Lien Revenue Bonds; (v) take over the possession, administration, and management of all Funds and Accounts required to be maintained by the County pursuant to the Revenue Indenture; or (vi) take such other steps to protect and enforce its rights and the rights of the Owners of the Toll Road Senior Lien Revenue Bonds, whether by action, suit, or proceeding in aid of the execution of any power granted in the Revenue Indenture or for the enforcement of any other appropriate legal or equitable remedy.

If an Event of Default occurs and is continuing, then the Trustee may, and upon the request of the Owners of not less than 25% in aggregate principal amount of the Toll Road Senior Lien Revenue Bonds Outstanding, and upon being indemnified to its satisfaction, will, proceed by suit or suits, at law or in equity. or by any other appropriate legal or equitable remedy, to enforce payment of the principal of, premium, if any, and interest on the Toll Road Senior Lien Revenue Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee deems most effectual to protect and enforce any of its rights or the rights of the Owners.

Although an Owner presumably could obtain a judgment against the County if a default were to occur in the payment of principal of, premium, if any, or interest on any such Toll Road Senior Lien Revenue Bond, such judgment could not be satisfied by foreclosure on the Project or by execution against any property of the County. The Owner's only practical remedy, if a default were to occur, would be a mandamus or mandatory injunction proceeding seeking to compel the County to fix, charge, and collect tolls in accordance with the toll covenant and to apply Revenues as required in the Revenue Indenture in order to pay principal of, premium, if any, and interest on the Toll Road Senior Lien Revenue Bonds as they come due. The Owner could be required to enforce such remedy on a periodic basis because no provision exists for acceleration of maturity of the Toll Road Senior Lien Revenue Bonds.

The enforcement of, or claim for payment of principal of or interest on the Toll Road Senior Lien Revenue Bonds, including the remedy of mandamus, and the validity of the pledge of and lien on Revenues, would be subject to the applicable provisions of the federal bankruptcy laws and to any other laws limiting or otherwise affecting the rights or remedies of creditors of counties of the State or of political subdivisions generally.

Subject to certain conditions set forth in the Revenue Indenture, the Trustee may waive certain Events of Default and their consequences under the Revenue Indenture.

Special Rights of Credit Providers

The Revenue Indenture provides that any Supplemental Indenture may provide that issuers of municipal bond insurance, letters of credit or other instruments which guaranty the payment of principal of and interest on any Toll Road Senior Lien Revenue Bonds or Parity Notes may exercise the rights of the Owners thereof to direct the exercise of any remedies in the event of default or to consent to any future amendments to the Revenue Indenture except with respect to any change in the terms of redemption, maturity of principal amount of such Toll Road Senior Lien Revenue Bonds or Parity Notes or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon. See “BONDHOLDERS’ REMEDIES—Special Rights of Bond Insurers and Credit Providers.”

Defeasance

Any Toll Road Senior Lien Revenue Bonds will, prior to the maturity or redemption date therefor, be deemed to have been paid and to be no longer Outstanding under the provisions of the Revenue Indenture if (i) in case of any Senior Lien Revenue Bond to be redeemed on any date prior to maturity, the County has given to the Trustee or a Paying Agent irrevocable instructions to give notice of redemption on such Toll Road Senior Lien Revenue Bonds, (ii) there has been deposited with the Trustee or a Paying Agent either money in an amount sufficient, or certain Investment Securities the principal and interest on which, without further investment, will be sufficient, together with money, if any, deposited therewith, to pay when due the principal, redemption price, if applicable, and interest due and becoming due on such Senior Lien Revenue Bond on and prior to redemption or maturity date, as the case may be, and (iii) in the event Toll Road Senior Lien Revenue Bonds are not to be redeemed within the next succeeding 60 days, the County will have given the Trustee or a Paying Agent irrevocable instructions to publish at least twice, at an interval of not less than seven days, a notice to the Owners of the Toll Road Senior Lien Revenue Bonds to be redeemed in a financial journal or publication of general circulation among tax-exempt securities dealers in the United States of America and a financial journal of publication of general circulation among tax-exempt securities dealers in the State of Texas, and to mail notices to such Owners that such deposit has been made and that the Toll Road Senior Lien Revenue Bonds are deemed to have been paid and stating the maturity or redemption date upon which such money will be made available for the payment of the principal or redemption price, if applicable, and interest on such Toll Road Senior Lien Revenue Bonds.

Amendments

The County may adopt a Supplemental Indenture without consent of the Owners for any of the following purposes: (i) to authorize the issuance of Toll Road Senior Lien Revenue Bonds; (ii) to provide additional limitations and restrictions on the issuance of other evidences of indebtedness; (iii) to add other covenants and agreements to be observed by the County not inconsistent with the Revenue Indenture; (iv) to add other limitations and restrictions to be observed by the County of the Trust Estate which are not inconsistent with the Revenue Indenture; (v) to confirm any pledge under the Revenue Indenture of the Trust Estate; (vi) to modify any of the provisions of the Revenue Indenture provided that such modification will be effective only after all Outstanding Toll Road Senior Lien Revenue Bonds at the date of adoption will cease to be Outstanding; (vii) to modify, amend, or supplement the Revenue Indenture to permit the qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state Blue Sky Law; (viii) to surrender any right, power, or privilege reserved to or conferred upon the County by the Revenue Indenture, provided that such surrender is not inconsistent with the covenants and agreements of the County contained in the Revenue Indenture; (ix) to pool the Project with one or more other projects as permitted by the Act; (x) to increase the Debt Service Reserve Fund Requirement or to provide for Debt Service Fund Surety Policies; (xi) to establish or increase the required balance to be accumulated or maintained in the Renewal and Replacement Fund; (xii) to alter the Revenue Indenture to comply with the requirements of a nationally recognized rating agency in order to maintain a rating on the Toll Road Senior Lien Revenue Bonds in a high-quality, short-term or commercial paper rating category or long-term debt rating category of such rating agency; (xiii) to increase the interest rate or rates on the Toll Road Senior Lien Revenue Bonds of any series; and (xiv) to designate Paying Agents, Authenticating Agents, Registrars, and other agents for Toll Road Senior Lien Revenue Bonds of any series.

The Revenue Indenture also may be amended without the consent of the Owners with the written consent of the Trustee: (i) to cure any ambiguity, supply any omission, or cure any defect or inconsistent provision in the Revenue Indenture; (ii) to insert such provisions clarifying matters as are necessary or desirable and are not inconsistent with the Revenue Indenture; (iii) to provide for additional duties of the Trustee in connection with the Trust Estate or the Project; or (iv) to modify any of the provisions of the Revenue Indenture, provided that such action shall not adversely affect the interest of the Owners of Outstanding Toll Road Senior Lien Revenue Bonds of any series.

Any other amendment of the Revenue Indenture may be made with the written consent given by the Owners as provided in the Revenue Indenture (i) of the Owners of at least two-thirds in principal amount of the Toll Road Senior Lien Revenue Bonds Outstanding at the time such consent is given, and (ii) in case less than all series of Toll Road Senior Lien Revenue Bonds Outstanding are affected by the amendment, of the Owners of at least two- thirds in principal amount of the Toll Road Senior Lien Revenue Bonds of each series so affected and Outstanding at the time such consent is given, and (iii) in case the amendment changes the terms of any Sinking Fund Installment, of the Owners of at least two-thirds in principal amount of the particular series of the Toll Road Senior Lien Revenue Bonds and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such amendment will, by its terms, not take effect as long as any Toll Road Senior Lien Revenue Bonds of any specified like series and maturity remain Outstanding, the consent of the Owners of such Toll Road Senior Lien Revenue Bonds will not be required.

For any Toll Road Senior Lien Revenue Bonds for which the payment of principal and interest is guaranteed pursuant to a policy of municipal bond insurance, the County of such policy shall be authorized to consent to such amendment in lieu of the Owners of the Toll Road Senior Lien Revenue Bonds so insured, except with respect to any change in the terms of redemption, maturity or principal amount of such Toll Road Senior Lien Revenue Bonds or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon.

No amendment of the Revenue Indenture may (i) permit a change in the terms of redemption or maturity of the principal of any Outstanding Toll Road Senior Lien Revenue Bond or of any installment of interest thereon or a reduction in the principal amount of the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Toll Road Senior Lien Revenue Bond, (ii) reduce the percentages or otherwise affect the classes of Toll Road Senior Lien Revenue Bonds of which the consent of the Owners is required to effect any such amendment, (iii) change or modify any of the rights or obligations of any fiduciary without its written assent thereto, (iv) alter the obligations of the County to levy maintenance taxes or collect tolls as required by the Revenue Indenture, or (v) change or modify the rights or obligations of the Trustee without its written assent thereto. See "AMENDMENTS TO THE REVENUE INDENTURE" for a description of pending amendments to the Revenue Indenture.

Trustee

The Bank of New York Mellon Trust Company, National Association (successor to Allied Bank of Texas), is the Trustee under the Revenue Indenture. A successor trustee may be appointed in accordance with the terms of the Revenue Indenture. The principal corporate trust office of the Trustee is located at 600 N. Pearl St., Suite 420, Dallas, Texas 75201, Attention: Corporate Trust Department.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE COUNTY AND TOLL ROAD ENTERPRISE FUND FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2009

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HARRIS COUNTY, TEXAS

Basic Financial Statements

For The Fiscal Year Ended

February 28, 2009

Prepared By:
Barbara J. Schott, C.P.A.
County Auditor
1001 Preston, Suite 800
Houston, Texas 77002

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

County Judge Ed Emmett
and Members of Commissioners Court of Harris County, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas (the "County"), as of and for the year ended February 28, 2009, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on the respective financial statements based on our audit. We audited the financial statements of the Harris County Hospital District, a discretely presented component unit, but did not audit the financial statements of the remaining discretely presented component units which statements reflect 15%, 13% and 17%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We also did not audit the financial statements of the Harris County Clerk Registry Fund and the Harris County District Clerk Registry Fund agency funds, which statements reflect 31% percent of the assets of the agency funds at February 28, 2009. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the agency funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas, as of February 28, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedule of Available Resources – Budget and Actual Budgetary Basis – General Fund, and the Schedule of Expenditures and Other Uses – Budget and Actual Budgetary Basis – General Fund, and the Other Post Employment Benefits – Schedule of Funding Progress, and the Texas County and District Retirement System – Schedule of Funding Progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This required supplementary information is the responsibility of the County's management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

July 27, 2009

This section of the Harris County, Texas (the "County") Comprehensive Annual Financial Report ("CAFR") presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended February 28, 2009. Please read it in conjunction with the transmittal letter in the introductory section of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets of the County exceeded the liabilities at February 28, 2009 by $10,715,939,996. This is a decrease of $92,608,683 from the previous year when assets exceeded liabilities by $10,808,548,679.

- Total net assets of the primary government are comprised of the following:
  (1) Capital assets, net of related debt, of $9,454,798,717 include land, improvements, construction in progress, and other capital assets, net of accumulated depreciation, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction in capital assets.
  (2) Net assets of $1,029,034,072 are restricted by constraints imposed from outside the County such as debt obligations, laws, or regulations.
  (3) Unrestricted net assets of $232,107,207 represent the portion available to meet ongoing obligations to citizens and creditors.

Governmental Fund Financial Statements

- As of February 28, 2009, County governmental funds reported combined fund balances of $1,010,147,813. This reflects a decrease of $35,364,882 from the previous fiscal year, primarily due to an overall increase in expenditures in the current year. Combined unreserved fund balances of $480,024,608 for fiscal year 2009 shows a decrease of $96,319,070 from the prior year.

- At the end of the fiscal year, the unreserved fund balance of the County's General Fund was $166,726,080, or 11% of the General Fund's total expenditures and 12% of revenues. In addition, the General Fund had a reserved fund balance of $202,320,738.

- The Roads Capital Projects fund is classified as a major fund. It had a fund balance of $220,048,873 of which $94,377,178 was reserved for encumbrances and the remaining $125,671,695 is designated for capital projects.

- The nonmajor governmental funds had total combined fund balances of $421,052,122 at February 28, 2009. Of this amount, $187,626,833 is unreserved with $75,574,723 designated for capital projects. The remaining $233,425,289 is reserved mainly for encumbrances, debt service, advances, and grant programs.

Long-Term Debt

- The County issues debt to finance an ongoing capital improvement program. During fiscal year 2008-2009, the County issued $1,200 million in bonds primarily to defease and refund outstanding bonds and $156 million in commercial paper. Note 10 to the financial statements provides details of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 Assets presents information on all County assets and liabilities, with the difference between the two representing net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net assets changed during the fiscal year. All changes in net assets 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, subscriber access, 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 unit, as appropriate. The following component units have been included in this year's report: Harris County Flood Control District, Harris County Juvenile Board, Harris County Sports and Convention Corporation, Harris County Hospital District, Harris County Housing Finance Corporation, Mental Health and Mental Retardation Authority of Harris County, Harris County Industrial Development Corporation, Children's Assessment Center Foundation, Inc., Harris County Housing Authority, Harris County Health Facilities Development Corporation, and Harris County Cultural Education Facilities Finance Corporation. 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 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 maintains 58 individual governmental 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 maintained two ways. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for toll road operations, computer access to certain District Clerk records, acquisition, operation and maintenance of parking facilities, and operation of a commissary for jail inmates. Internal service funds are an accounting device 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 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 fund is considered to be a major fund of the County. The subscriber access, 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 16 agency funds. Agency funds are used to report resources held by the County in a purely custodial capacity (assets equal liabilities) and therefore do not involve measurement of results of operations.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 41 of this report.

Required Supplementary Information for the County's General Fund budgetary schedule is presented herein. The County adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Also presented in this section are the Schedule of Funding Progress for Other Post Employment Benefits and the Schedule of Funding Progress for Texas County and District Retirement System. Required supplementary information can be found beginning on page 97 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $10,715,939,996 for fiscal year 2009 and

$10,808,548,679 for fiscal year 2008. Expenses exceeded revenues during the current year, decreasing net assets by $92,608,683.

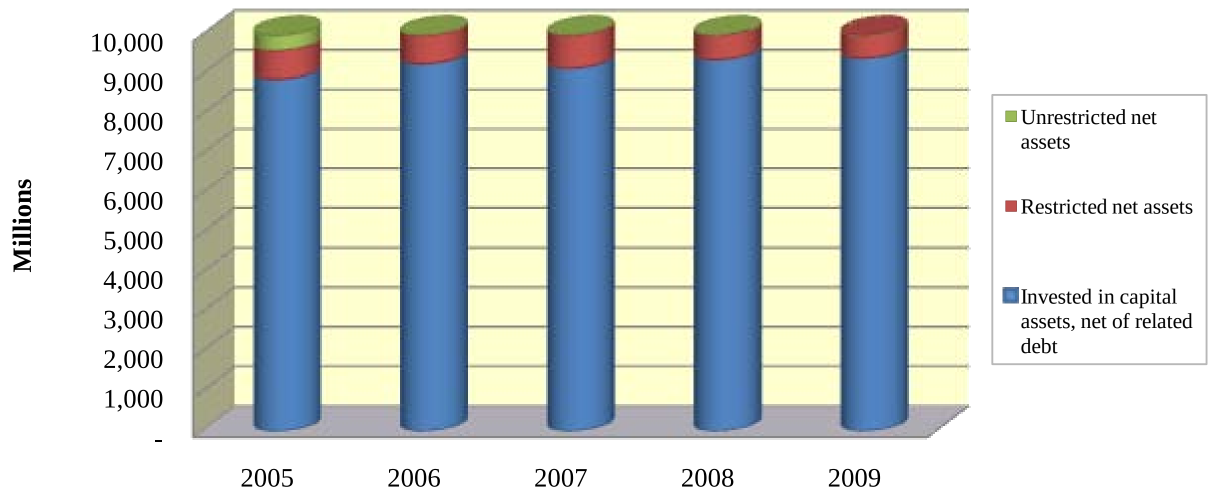
Condensed Statement of Net Assets
February 28, 2009
(Amounts in thousands)
Primary Government

	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 1,453,740	$ 1,217,048	$ 2,670,788
Capital assets	11,992,224	1,817,456	13,809,680
Total assets	13,445,964	3,034,504	16,480,468
Current and other liabilities	340,132	65,043	405,175
Long-term liabilities	2,987,226	2,372,126	5,359,352
Total liabilities	3,327,358	2,437,169	5,764,527
Net assets:			
Invested in capital assets, net of related debt	9,709,904	(255,105)	9,454,799
Restricted net assets	189,278	839,756	1,029,034
Unrestricted net assets	219,424	12,683	232,107
Total net assets	$ 10,118,606	$ 597,334	$ 10,715,940

Condensed Statement of Net Assets
February 29, 2008
(Amounts in thousands)
Primary Government

	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 1,456,936	$ 963,269	$ 2,420,205
Capital assets	12,007,854	1,791,679	13,799,533
Total assets	13,464,790	2,754,948	16,219,738
Current and other liabilities	320,831	56,634	377,465
Long-term liabilities	2,864,798	2,168,926	5,033,724
Total liabilities	3,185,629	2,225,560	5,411,189
Net assets:			
Invested in capital assets, net of related debt	9,700,793	(314,975)	9,385,818
Restricted net assets	178,866	831,604	1,010,470
Unrestricted net assets	399,502	12,759	412,261
Total net assets	$ 10,279,161	$ 529,388	$ 10,808,549

Change in Net Assets



The largest portion of the County's current fiscal year net assets, $9,454,798,717, reflects its investments 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. The increase of $68,980,134 in the County's net assets invested in capital assets, net of related debt, is comprised of $10,147,016 increase in capital assets with an offsetting increase of $131,318,235 in debt related to capital assets and an increase of unspent debt proceeds of $190,151,353.

Another portion of the County's current fiscal year net assets, $232,107,207, represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors. The remaining balance of net assets represents resources that are subject to external restrictions on how they may be used. A large portion of the restricted net assets, $607,922,264 is for use for the ongoing obligations of the Toll Road Authority. Other restrictions include $337,862,261 for debt service payments, $78,539,202 for capital projects, temporary donor restricted from grantors of $53,032 and legislative restricted net assets of $4,657,313.

At the end of the current fiscal year, the County reported positive net assets in all three categories of net assets for its governmental activities and positive net assets in two of the three categories for its business-type activities. Net assets invested in capital assets, net of related debt for business-type activities was negative $255,104,731 primarily due to the refunding of debt extending the repayment of the debt beyond the useful life of the assets.

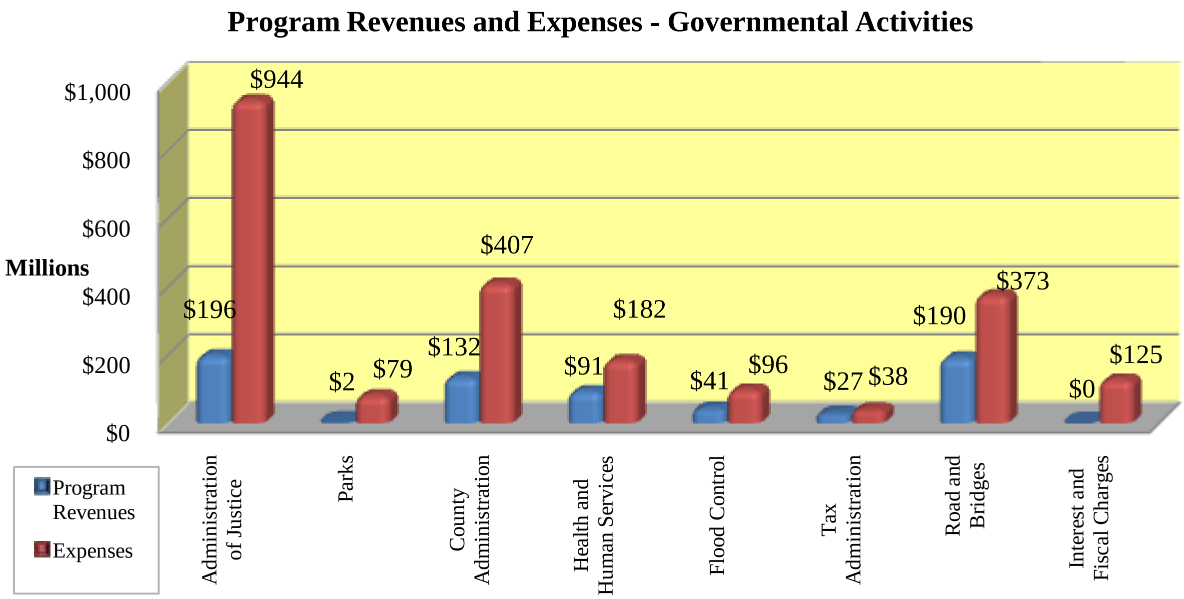
The following table indicates changes in net assets for governmental and business-type activities:

Condensed Statement of Activities
(In Thousands)
For the Year Ended February 28, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for services	$ 258,410	$ 451,300	$ 709,710
Operating grants and contributions	213,880	994	214,874
Capital grants and contributions	206,561	9,198	215,759
General revenues:			
Taxes-levied for general purposes	1,009,081	-	1,009,081
Taxes-levied for debt services	152,007	-	152,007
Hotel occupancy tax	26,610	-	26,610
Investment earnings	32,717	41,671	74,388
Miscellaneous	66,157	1,062	67,219
Total revenues	1,965,423	504,225	2,469,648
EXPENSES			
Administration of justice	944,400	-	944,400
Parks	78,911	-	78,911
County administration	407,483	-	407,483
Health and human services	182,120	-	182,120
Flood control	97,695	-	97,695
Tax administration	37,949	-	37,949
Roads and bridges	373,484	-	373,484
Interest and fiscal charges	125,018	-	125,018
Toll road	-	305,754	305,754
Subscriber access	-	132	132
Parking facilities	-	895	895
Sheriff's commissary	-	8,561	8,561
Total expenses	2,247,060	315,342	2,562,402
Excess before other items and transfers	(281,637)	188,883	(92,754)
Gain on sale of capital assets	145	-	145
Transfers	120,937	(120,937)	-
Change in net assets	(160,555)	67,946	(92,609)
Net assets - beginning	10,279,161	529,388	10,808,549
Net assets - ending	$ 10,118,606	$ 597,334	$ 10,715,940

Condensed Statement of Activities
(In Thousands)
For the Year Ended February 29, 2008

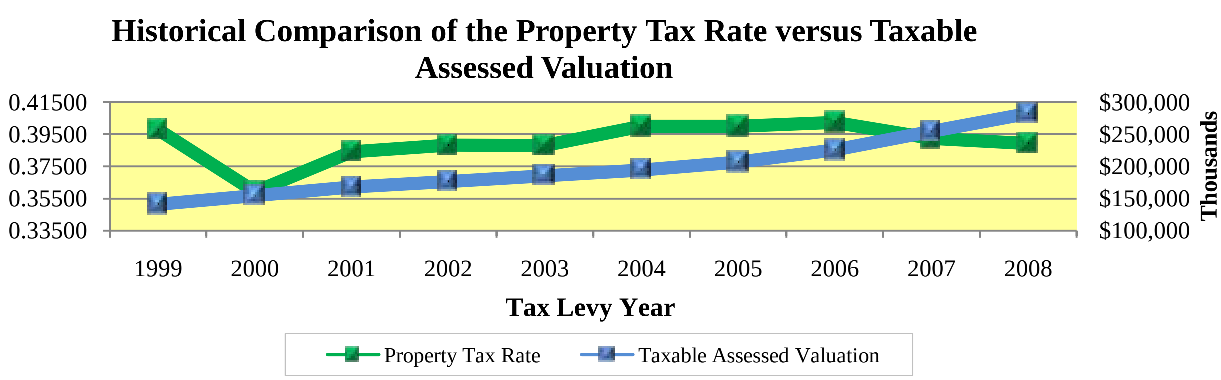
	Primary Government		
	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for services	$ 264,028	$ 437,768	$ 701,796
Operating grants and contributions	148,358	1,286	149,644
Capital grants and contributions	312,732	3,059	315,791
General revenues:			
Taxes-levied for general purposes	957,431	-	957,431
Taxes-levied for debt services	146,421	-	146,421
Hotel occupancy tax	26,371	-	26,371
Investment earnings	58,751	49,690	108,441
Miscellaneous	59,378	4,753	64,131
Total revenues	1,973,470	496,556	2,470,026
EXPENSES			
Administration of justice	846,107	-	846,107
Parks	82,222	-	82,222
County administration	299,310	-	299,310
Health and human services	193,348	-	193,348
Flood control	90,253	-	90,253
Tax administration	35,191	-	35,191
Roads and bridges	364,111	-	364,111
Interest and fiscal charges	136,944	-	136,944
Toll road	-	272,972	272,972
Subscriber access	-	161	161
Parking facilities	-	952	952
Sheriff's commissary	-	8,142	8,142
Total expenses	2,047,486	282,227	2,329,713
Excess before other items and transfers	(74,016)	214,329	140,313
Gain on sale of capital assets	43	140	183
Transfers	121,236	(121,236)	-
Change in estimate	33,727	-	33,727
Change in net assets	80,990	93,233	174,223
Net assets - beginning	10,198,171	436,155	10,634,326
Net assets - ending	$ 10,279,161	$ 529,388	$ 10,808,549



Revenues

For fiscal year ended February 28, 2009, revenues for the primary government totaled $2,469,793,493. The revenues are categorized by activity type: governmental activities totaled $1,965,567,770 and business-type activities totaled $504,225,723.

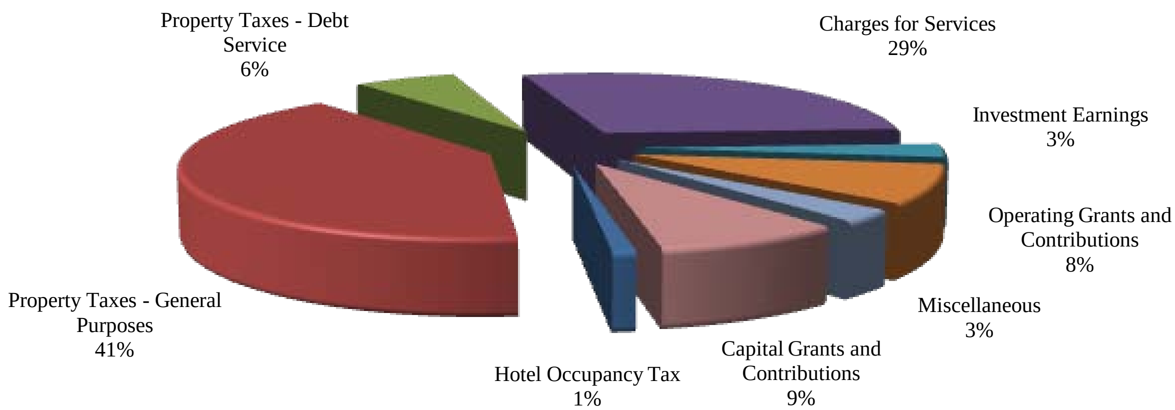
Property and hotel occupancy taxes of $1,187,697,538 were the largest revenue source for governmental activities and 48% of total revenues. The tax rate was $.38923 per $100 of assessed value for fiscal year 2009. The assessed value increased in fiscal year 2009 to $364,193,653,000 from the assessed value in the prior fiscal year of $327,373,322,000.



Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were $1,140,343,357 or 46% of total revenues. The largest portion of program revenues is charges for services of $709,710,235 (29%). Of that $258,410,063 is from governmental activities, which represents fees collected by the tax collector, automobile registration, and charges for patrol services. The business-type charges for services were $451,300,172, which are primarily toll road receipts. The other portions of program revenues are operating grants and contributions of $214,874,644 (8%) and capital grants and contributions of $215,758,478 (9%). Capital grants and contributions decreased $100,032,896 from the prior year, primarily due to less road donations. These represent receipts from various federal, state, and local agencies.

General revenues are revenues that can not be assigned to a specific function. They consist of taxes (discussed above), earnings on investments of $74,388,609 (3% of total revenues), and miscellaneous income (including gain on sale of capital assets) of $67,363,989 (3% of total revenues).

REVENUES BY SOURCE
Year ended February 28, 2009



Expenses

For fiscal year ended February 28, 2009, expenses for the primary government totaled $2,562,402,176. These expenses are divided by activity type: governmental activities of $2,247,060,944 and business-type activities of $315,341,232.

The governmental activities administration of justice is the County's largest function. The main components of this function are the civil and criminal courts and the sheriff's department. Total expenses for this activity were $944,399,706 and were 37% of total expenses. The expenses can be attributed to salaries, fringe benefits, costs of housing and trial of inmates, and fuel costs for patrol vehicles.

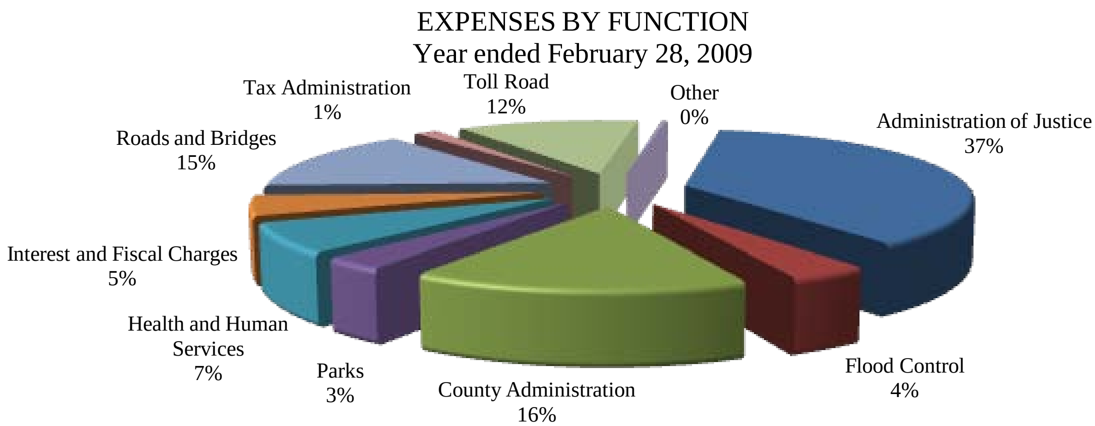
The expenses for the roads and bridges governmental activities function were $373,484,374 or 15% of total expenses. The County owns and maintains over six thousand miles of roads and bridges.

County administration governmental function expenses were $407,483,418 or 16% of total expenses. The increase is primarily due to an increase in payroll, utilities and flood insurance.

Toll road business-type activities function expenses were $305,753,503 or 12% of total expenses. The majority is attributable to interest and fees incurred on outstanding debt balances. Expenses for other business-type activities were $9,587,729 and were less than 1% of total expenses. These activities are for subscriber access, parking facilities and sheriff's commissary.

Governmental activities interest and fiscal charges of $125,017,764 constituted 5% of total expenses and decreased $11,925,831. This is mostly due to refunding bonds issued in the current year.

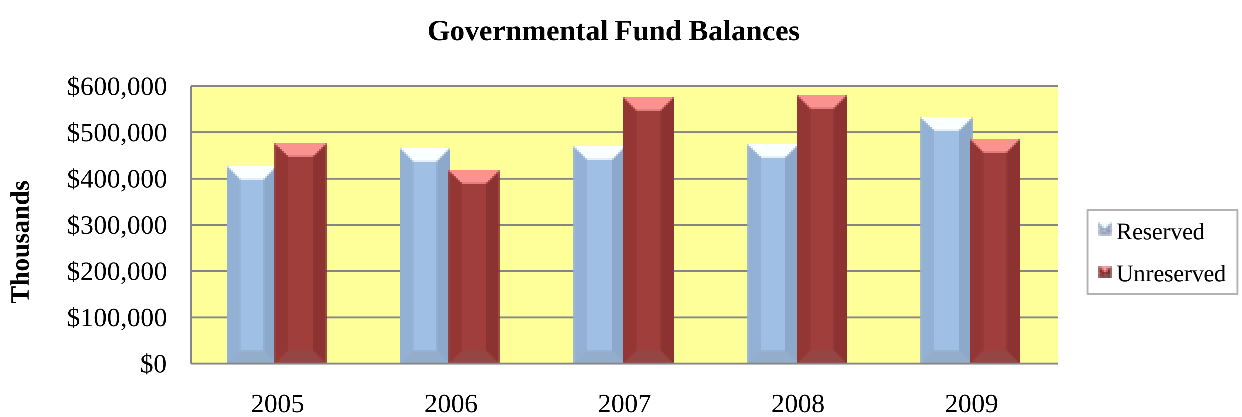
The remaining governmental activities functions are health and human services with expenses of $182,119,902 or 7%, which includes operation of the County owned libraries, flood control of $97,695,485 or 4%, parks with expenses of $78,910,844 or 3% and tax administration of $37,949,451 or 1%.



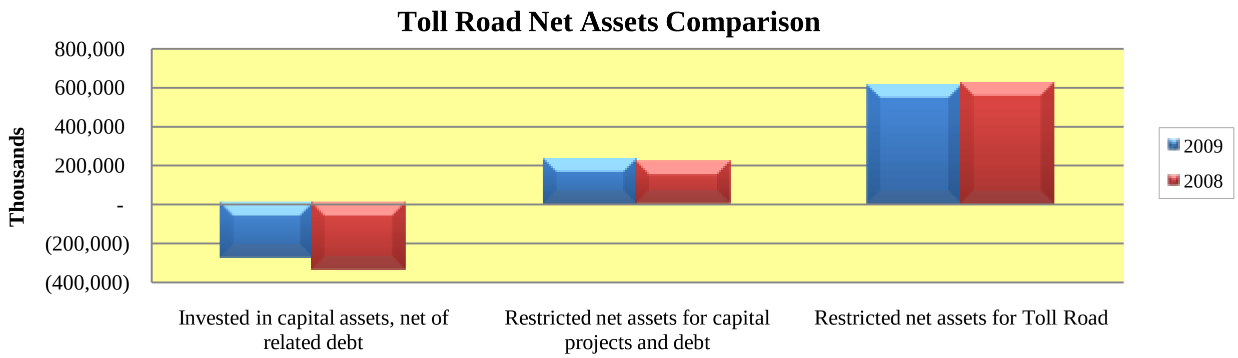
<u>FINANCIAL ANALYSIS OF MAJOR FUNDS</u>

The General Fund is the County's chief operating fund and major governmental fund. For the year ended February 28, 2009, the General Fund reported a net fund balance increase of $474,885. The General Fund total fund balance is $369,046,818 for the fiscal year of which $202,320,738 is reserved for encumbrances, debt service payments, prepaids, inventories, notes receivable, legislative issues and imprest cash. The remaining $166,726,080 is unreserved, but $29,193,123 is designated for public contingency.

The Roads Capital Projects fund is a major governmental fund in the current year. This is primarily due to a larger portion of unspent bond proceeds being available for investment. As of February 28, 2009 the total fund balance was $220,048,873 with $94,377,178 being reserved for encumbrances.



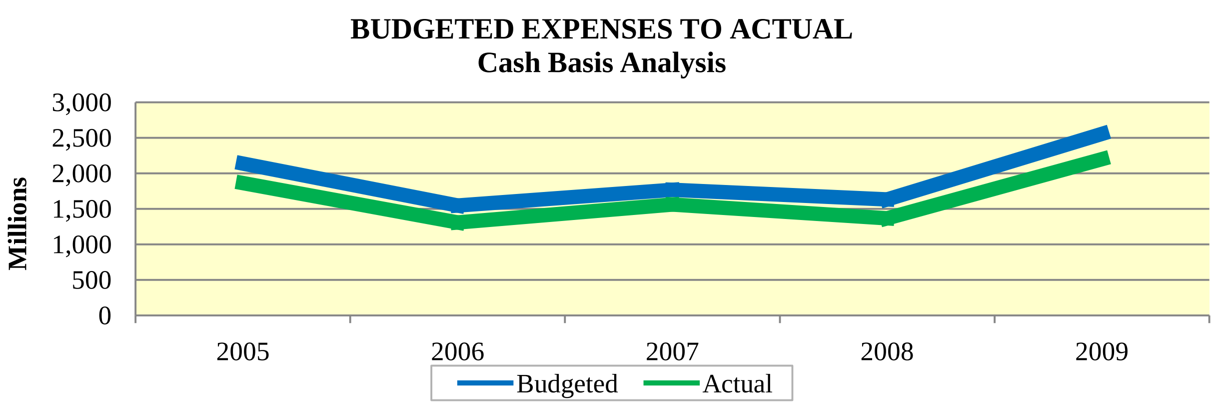
The Toll Road Fund was the County's only major proprietary fund at February 28, 2009. This fund is used to account for the acquisition, operation, and maintenance of County toll roads. As of February 28, 2009, net assets invested in capital assets, net of related debt was a negative $273,939,555, and restricted net assets were $839,755,840. Net assets invested in capital assets, net of related debt increased from a February 29, 2008 balance of negative $334,319,087. Net assets invested in capital assets net of related debt for both years was negative, primarily due to the refunding of debt which extended the repayment of the debt beyond the useful life of the assets. Restricted net assets are considered restricted due to debt obligations.



GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget reflected an increase of $705,910,182 in available resources. This increase is due to issuance of refunding bonds. Differences between the original budget and the final amended budget resulted in $706,211,540 increase in appropriations.

During the year, actual revenues and transfers exceeded budgetary revenue estimates by $44,897,475. This is primarily due to higher collections of taxes, charges for services, and miscellaneous income. Actual expenditures were $358,269,636 less than budgetary estimates. This difference is primarily due to a decrease in expenditures as a result of the carry forward of maintenance funds in the precincts. 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, for its governmental and business-type activities as of February 28, 2009, was $13,809,680,120, an increase of $10,147,016 from capital assets reported February 29, 2008 of $13,799,533,104. These capital assets include land, license agreement, land improvements, structures, park improvements and facilities, infrastructure, equipment, vehicles, machinery, other tangible assets, easements and construction in progress.

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

- The County has several ongoing capital improvement projects, including a new Plaza/Jury Assembly Facility with a tunnel connection to the Civil Justice Center, a new Family Law Center, restoration of the 1910 Civil Courts Building, and a Medical Examiner's Forensic Center.

- The Flood Control District has several ongoing flood damage reduction and mitigation projects in cooperation with the Federal Emergency Management Agency and the United States Army Corps of Engineers.

- The Harris County Toll Road Authority has several ongoing projects, including the Hempstead Tollway and the I-10 Corridor.

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

	Balance February 28, 2009	Balance February 29, 2008
Governmental Activities:		
Land	$ 3,849,300,763	$ 3,795,682,734
Construction in progress	384,480,240	357,518,503
Land improvements	3,415,129	3,405,855
Infrastructure	9,958,809,600	9,834,520,064
Park facilities	132,766,553	101,956,532
Flood control projects	632,691,287	547,644,476
Buildings	1,589,052,244	1,581,792,101
Equipment	279,825,395	267,116,371
	16,830,341,211	16,489,636,636
Less: Accumulated depreciation	(4,838,116,682)	(4,481,782,996)
Total governmental activities	$ 11,992,224,529	$ 12,007,853,640

	Balance February 28, 2009	Balance February 29, 2008
Business-type Activities:		
Land	$ 286,272,148	$ 270,688,177
License Agreement	237,500,000	237,500,000
Construction in progress	229,780,947	196,963,686
Land improvements	2,741,917	2,741,917
Infrastructure	1,735,963,226	1,735,963,226
Other tangible assets	21,181,809	20,248,222
Buildings	41,538,473	30,750,092
Equipment	50,817,800	17,634,020
	2,605,796,320	2,512,489,340
Less: Accumulated depreciation	(788,340,729)	(720,809,876)
Total business-type activities	$ 1,817,455,591	$ 1,791,679,464

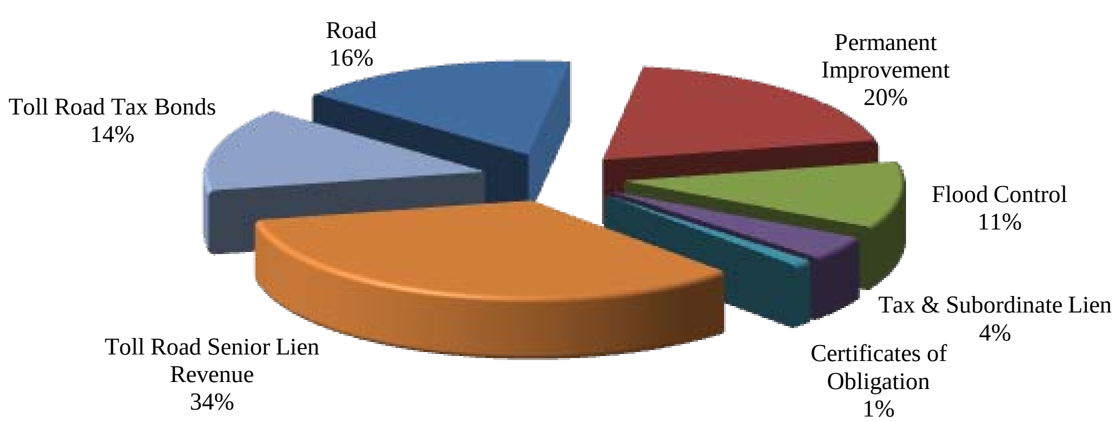
Long-term Debt. At February 28, 2009, the County had total long-term debt outstanding of $5,359,351,611. Refer to Note 10 to the financial statements for further information on the County's long-term debt. County officials, citizens and investors will find the ratio of bonded debt to taxable value of property and the amount of bonded debt per capita as useful indicators of the County's debt position. Bonded debt represented 0.91% and 0.92% of taxable value of property for fiscal year 2009 and 2008, respectively. Debt per capita was $1,327 and $1,282 for fiscal year 2009 and 2008, respectively.

	Outstanding at February 28, 2009	Outstanding at February 29, 2008
Governmental Activities:		
Bonds payable	$ 2,559,588,635	$ 2,344,035,241
Commercial paper payable	229,138,000	388,940,000
Compensatory time payable	36,963,277	32,225,983
Obligations under capital leases	23,265,768	25,430,611
Judgments payable	4,145,300	6,238,614
Note payable	77,539	1,480,145
OPEB obligation	132,403,485	66,447,722
Pollution remediation obligation	1,644,240	-
Total governmental activities	$ 2,987,226,244	$ 2,864,798,316
Business-type Activities:		
Bonds payable	$ 2,363,579,795	$ 2,097,280,792
Commercial paper payable	-	67,000,000
Compensatory time payable	1,300,049	980,871
OPEB obligation	7,245,523	3,664,533
Total business-type activities	$ 2,372,125,367	$ 2,168,926,196

The County has a continuing goal to upgrade the County's debt rating. The bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the County long term bond ratings of Aa1, AAA, and AA+, respectively.

See Note 14 to the financial statements for further information on the County's OPEB plan.

Bonds Payable by Type as of February 28, 2009



ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2008 was 5.5%. This is an unfavorable increase from the prior year rate of 4.2%. The state unemployment rate for calendar year 2008 was 5.7%. The number of people employed with Harris County increased by 1,216 during the year.

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 ASSETS
February 28, 2009

	Primary Government			
	Governmental Activities	Business- Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 433,422,655	$ 6,400,500	$ 439,823,155	$ 262,115,662
Investments	658,499,863	8,960,933	667,460,796	266,511,599
Taxes receivable, net	51,587,047	-	51,587,047	55,997,000
Accounts receivable, net	41,060,178	49,951	41,110,129	81,875,526
Accrued interest receivable	11,725,699	44,153	11,769,852	-
Lease receivable	291,300	3,215,599	3,506,899	-
Due from other governmental units	5,718	-	5,718	-
Other receivables	123,308,185	-	123,308,185	8,841,194
Internal balances	(52,148,394)	52,148,394	-	-
Inventories, prepaids and other assets	8,709,118	209,570	8,918,688	81,528,455
Restricted:				
Cash and cash equivalents	84,784,623	95,722,020	180,506,643	557,194,082
Investments	45,409,564	965,069,136	1,010,478,700	-
Investments, held as collateral by others	-	40,000,000	40,000,000	-
Receivables, net	-	503,002	503,002	-
Accrued interest receivable	-	5,662,196	5,662,196	-
Other receivables, net	-	7,639,150	7,639,150	-
Prepaids and other assets	-	6,397,380	6,397,380	-
Deferred charges, net of amortization	16,147,220	23,760,332	39,907,552	-
Notes receivable	30,936,357	1,265,677	32,202,034	4,840,360
Capital assets:				
Land and construction in progress	4,233,781,003	516,053,095	4,749,834,098	62,986,884
Intangible assets	-	237,500,000	237,500,000	2,424,622
Other capital assets, net of depreciation	7,758,443,526	1,063,902,496	8,822,346,022	295,936,357
Total assets	13,445,963,662	3,034,503,584	16,480,467,246	1,680,251,741
LIABILITIES				
Vouchers payable and other current liabilities	245,684,887	2,980,829	248,665,716	236,249,167
Due to other governmental units	32,170	-	32,170	-
Deferred revenue	53,044,780	-	53,044,780	25,162,339
Payable from restricted assets:				
Vouchers payable and other current liabilities	-	62,062,189	62,062,189	-
Current portion of long-term liabilities	-	85,269,248	85,269,248	-
Non-current portion of long-term liabilities	-	2,286,855,931	2,286,855,931	-
Accrued interest	41,370,008	-	41,370,008	1,456,018
Long-term liabilities:				
Due within one year	111,803,933	599	111,804,532	15,567,013
Due in more than one year	2,875,422,311	365	2,875,422,676	416,848,187
Total liabilities	3,327,358,089	2,437,169,161	5,764,527,250	695,282,724
NET ASSETS				
Invested in capital assets, net of related debt	9,709,903,448	(255,104,731)	9,454,798,717	138,867,445
Restricted for:				
Debt service	150,776,526	187,085,735	337,862,261	-
Capital projects	33,791,361	44,747,841	78,539,202	60,444,947
Donor temporarily restricted	53,032	-	53,032	3,915,952
Legislative	4,657,313	-	4,657,313	-
Toll Road	-	607,922,264	607,922,264	-
Unrestricted	219,423,893	12,683,314	232,107,207	781,740,673
Total net assets	$ 10,118,605,573	$ 597,334,423	$ 10,715,939,996	$ 984,969,017

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2009

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					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	944,399,706	$ 128,469,038	$ 67,512,783	$ 421,365	$ (747,996,520)	-	$ (747,996,520)	
Parks	78,910,844	1,237,170	1,083,292	-	(76,590,382)	-	(76,590,382)	
County Administration	407,483,418	58,258,713	64,037,836	8,819,943	(276,366,926)	-	(276,366,926)	
Health and Human Services	182,119,902	10,139,187	81,246,336	-	(90,734,379)	-	(90,734,379)	
Flood Control	97,695,485	550,710	-	39,983,318	(57,161,457)	-	(57,161,457)	
Tax Administration	37,949,451	26,919,922	-	-	(11,029,529)	-	(11,029,529)	
Road and Bridges	373,484,374	32,835,323	-	157,336,130	(183,312,921)	-	(183,312,921)	
Interest and fiscal charges	125,017,764	-	-	-	(125,017,764)	-	(125,017,764)	
Total governmental activities	2,247,060,944	258,410,063	213,880,247	206,560,756	(1,568,209,878)	-	(1,568,209,878)	
Business-type activities:								
Toll Road	305,753,503	442,015,417	994,397	9,197,722	-	$ 146,454,033	146,454,033	
Subscriber Access	131,642	282,934	-	-	-	151,292	151,292	
Parking Facilities	894,760	382,130	-	-	-	(512,630)	(512,630)	
Sheriff's Commissary	8,561,327	8,619,691	-	-	-	58,364	58,364	
Total business-type activities	315,341,232	451,300,172	994,397	9,197,722	-	146,151,059	146,151,059	
Total primary government	$ 2,562,402,176	$ 709,710,235	$ 214,874,644	$ 215,758,478	(1,568,209,878)	146,151,059	(1,422,058,819)	
Component units:								
MHMRA	$ 142,376,550	$ 30,321,923	$ 93,999,142	$ 193,950				$ (17,861,535)
Hospital District	1,302,889,000	226,358,000	179,721,000	431,514,000				(465,296,000)
Other component units	131,534,133	21,791,858	112,969,150	3,951,470				7,178,345
Total component units	$ 1,576,799,683	$ 278,471,781	$ 386,689,292	$ 435,659,420				(475,979,190)
General revenues:								
Taxes:								
Property taxes levied for general purposes					1,009,080,608	-	1,009,080,608	522,053,000
Property taxes levied for debt service					152,006,924	-	152,006,924	-
Hotel occupancy tax					26,610,006	-	26,610,006	-
Earnings on investments					32,717,456	41,671,153	74,388,609	16,057,543
Miscellaneous					66,157,004	1,062,279	67,219,283	40,498,077
Gain on disposal of capital assets					144,706	-	144,706	6,348
Transfers					120,937,481	(120,937,481)	-	-
Total general revenues and other items					1,407,654,185	(78,204,049)	1,329,450,136	578,614,968
Change in net assets					(160,555,693)	67,947,010	(92,608,683)	102,635,778
Net assets - beginning					10,279,161,266	529,387,413	10,808,548,679	882,333,239
Net assets - ending					$10,118,605,573	$ 597,334,423	$ 10,715,939,996	$ 984,969,017

See notes to the financial statements.

HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2009

	General	Roads Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash and cash equivalents	$ 124,675,098	$ 76,544,705	$ 199,920,824	$ 401,140,627
Investments	159,542,856	151,948,034	271,983,320	583,474,210
Receivables:				
Taxes, net	44,768,167	-	6,818,880	51,587,047
Accounts	4,518,306	3,546,288	32,240,367	40,304,961
Accrued interest	5,586,180	875,481	4,822,622	11,284,283
Lease	291,300	-	-	291,300
Other	70,553,477	-	48,087,849	118,641,326
Due from other funds	33,840,330	-	16,783,099	50,623,429
Due from other governmental units	5,718	-	-	5,718
Inventories and other assets	2,587,333	-	2,262,582	4,849,915
Advances to other funds	40,000	-	12,485,000	12,525,000
Restricted cash and cash equivalents	81,972,841	-	2,811,782	84,784,623
Restricted investments	33,409,564	-	12,000,000	45,409,564
Notes receivable	30,369,199	-	567,158	30,936,357
Total assets	$ 592,160,369	$ 232,914,508	$ 610,783,483	$ 1,435,858,360
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers payable	$ 37,141,737	$ 8,327,451	$ 40,446,845	$ 85,916,033
Accrued payroll and compensated absences	92,015,266	-	6,124,591	98,139,857
Surplus auction payable	12,192	-	-	12,192
Retainage payable	756,591	2,432,362	3,888,316	7,077,269
Due to other funds	323,494	-	50,218,632	50,542,126
Due to other governmental units	-	-	32,170	32,170
Customer deposits	68,015	-	10	68,025
Advances from other funds	30,128,956	-	34,742,447	64,871,403
Deferred revenue	62,578,176	2,085,500	54,278,350	118,942,026
Pollution remediation obligation	89,124	20,322	-	109,446
Total liabilities	223,113,551	12,865,635	189,731,361	425,710,547
Fund balances:				
Reserved for:				
Encumbrances	45,947,340	94,377,178	138,721,037	279,045,555
Debt service	118,258,973	-	81,149,353	199,408,326
Impress fund	460,580	-	85,180	545,760
Legislative	4,657,313	-	-	4,657,313
Inventory	1,595,091	-	648,474	2,243,565
Prepaids	992,242	-	768,213	1,760,455
Advances	40,000	-	12,000,000	12,040,000
Notes receivable	30,369,199	-	-	30,369,199
Grant programs	-	-	53,032	53,032
Unreserved:				
Designated for capital projects	-	125,671,695	75,574,723	201,246,418
Designated for public contingency	29,193,123	-	-	29,193,123
Undesignated - general fund	137,532,957	-	-	137,532,957
Undesignated - special revenue funds	-	-	112,052,110	112,052,110
Total fund balances	369,046,818	220,048,873	421,052,122	1,010,147,813
Total liabilities and fund balances	$ 592,160,369	$ 232,914,508	$ 610,783,483	$ 1,435,858,360

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
February 28, 2009

Total fund balances for governmental funds		$ 1,010,147,813
Total net assets reported for governmental activities in the statement of net assets 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	$ 3,849,050,763	
Construction in progress	384,104,351	
Land improvements, net of $396,167 accumulated depreciation	3,018,962	
Infrastructure, net of $4,028,741,470 accumulated depreciation	5,930,068,130	
Parks, net of $25,877,876 accumulated depreciation	106,888,677	
Flood control projects, net of $223,592,587 accumulated depreciation	409,098,700	
Buildings, net of $377,955,841 accumulated depreciation	1,209,627,835	
Equipment and vehicles, net of $149,552,649 accumulated depreciation	83,780,379	
Total capital assets		11,975,637,797
Long-term assets are not recognized in the current period and accordingly are not reported as fund assets. Balances as of February 28, 2009 were:		
Deferred charges	16,147,220	
		16,147,220
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 - are reported in the statement of net assets. Balances (excluding internal service fund liabilities, where applicable) as of February 28, 2009 were:		
Accrued interest on bonds and loans	(41,370,008)	
Bonds payable	(2,559,588,635)	
Judgments payable	(4,145,300)	
Notes payable	(77,539)	
Capital leases	(23,160,133)	
Commercial paper payable	(229,138,000)	
Compensated absences	(36,655,982)	
OPEB obligation	(132,403,485)	
Pollution remediation obligation	(1,534,794)	
		(3,028,073,876)
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 Assets. Internal service fund net assets are:		78,145,886
Some of the County's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		66,600,733
Total net assets of governmental activities		$ 10,118,605,573

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, 2009

	General	Roads Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,037,918,722	$ -	$ 164,913,759	$ 1,202,832,481
Charges for services	195,771,180	-	10,303,617	206,074,797
User fees	2,903,820	-	-	2,903,820
Fines and forfeitures	21,137,352	-	-	21,137,352
Lease revenue	2,313,666	-	171,073	2,484,739
Intergovernmental	40,332,679	25,892,278	239,196,104	305,421,061
Earnings on investments	11,180,670	8,287,027	11,917,297	31,384,994
Miscellaneous	46,922,031	2,843,646	21,917,843	71,683,520
Total revenues	1,358,480,120	37,022,951	448,419,693	1,843,922,764
EXPENDITURES				
Current operating:				
Administration of justice	823,165,579	-	73,322,705	896,488,284
Parks	53,092,563	-	13,037,340	66,129,903
County administration	235,375,906	581,513	122,350,240	358,307,659
Health and human services	114,026,628	-	79,099,975	193,126,603
Flood control	-	-	69,791,620	69,791,620
Tax administration	34,829,045	-	1,440,186	36,269,231
Roads and bridges	86,272,674	5,078,612	-	91,351,286
Capital outlay	25,597,278	81,600,633	107,355,348	214,553,259
Debt service:				
Principal retirement	38,255,000	-	37,141,286	75,396,286
Bond issuance costs	2,931,924	-	3,337,595	6,269,519
Interest and fiscal charges	50,685,484	35,201	66,002,514	116,723,199
Total expenditures	1,464,232,081	87,295,959	572,878,809	2,124,406,849
Deficiency of revenues under expenditures	(105,751,961)	(50,273,008)	(124,459,116)	(280,484,085)
OTHER FINANCING SOURCES (USES)				
Transfers in	140,207,974	-	45,605,793	185,813,767
Transfers out	(36,959,125)	(7,656,478)	(25,922,762)	(70,538,365)
Refunding bonds issued	335,150,000	-	486,070,000	821,220,000
Premium on debt issued	7,145,874	-	24,356,738	31,502,612
Discount on debt issued	-	-	(764,569)	(764,569)
Commercial paper issued	-	49,885,000	73,076,000	122,961,000
Payment to bond escrow agent	(56,896,654)	-	(506,277,032)	(563,173,686)
Payment to defease commercial paper	(282,763,000)	-	-	(282,763,000)
Proceeds from insurance recovery	-	-	437,861	437,861
Sale of capital assets	341,777	-	81,806	423,583
Total other financing sources (uses)	106,226,846	42,228,522	96,663,835	245,119,203
Net changes in fund balances	474,885	(8,044,486)	(27,795,281)	(35,364,882)
Fund balances, beginning	368,571,933	228,093,359	448,847,403	1,045,512,695
Fund balances, ending	$ 369,046,818	$ 220,048,873	$ 421,052,122	$ 1,010,147,813

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, 2009

Net change in fund balances - total governmental funds		$ (35,364,882)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of $362,991,458 exceeded capital expenditures of $214,553,259 in the current period.		(148,438,199)
Capital asset donations		134,215,581
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 assets.		
Debt issued:		
Bonds	$(821,220,000)	
Bond premiums	(31,502,612)	
Bond discounts	764,569	
Commercial paper	(122,961,000)	
Repayments:		
To paying agent for bond principal	75,396,286	
To refunding bond escrow agent	563,173,686	
Defeasance of commercial paper	282,763,000	
Loans	1,402,606	
Capital lease principal	2,101,855	
Refunding interest expense	(9,097,852)	
Net adjustment		(59,179,462)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. This adjustment combines the net changes of 10 balances.		
Compensated absences	(4,675,716)	
Judgments payable	2,093,314	
OPEB obligation	(65,955,763)	
Pollution remediation obligation	(1,534,794)	
Amortization of debt premium	10,275,162	
Accretion of capital appreciation bond interest	(1,896,203)	
Amortization of advanced refunding difference	(3,437,823)	
Accrued interest on debt	(2,840,361)	
Amortization of deferred charges	(1,097,272)	
Capitalization of deferred charges	6,069,303	
Combined adjustment		(63,000,153)
Internal service funds are used by the County. The net revenue of the internal service funds are reported with governmental activities.		28,255,494
Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount in the current period.		(16,140,092)
The net effect of sales involving capital assets is to decrease net assets.		(903,980)
Change in net assets of governmental activities		$ (160,555,693)

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
February 28, 2009

	Enterprise Funds			
	Toll Road	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ 6,400,500	$ 6,400,500	$ 32,282,028
Investments	-	8,960,933	8,960,933	75,025,653
Receivables, net	-	49,951	49,951	755,217
Accrued interest receivable	-	44,153	44,153	441,416
Other receivable	-	-	-	4,666,859
Inventories	-	209,570	209,570	2,694,596
Prepaids and other assets	-	-	-	1,164,607
Due from other funds	-	-	-	139,025
Restricted assets:				
Cash and cash equivalents	95,722,020	-	95,722,020	-
Investments	965,069,136	-	965,069,136	-
Investments, held as collateral by others	40,000,000	-	40,000,000	-
Receivables, net	503,002	-	503,002	-
Accrued interest receivable	5,662,196	-	5,662,196	-
Other receivables	7,639,150	-	7,639,150	-
Due from other funds	8,412	-	8,412	-
Inventories	4,285,520	-	4,285,520	-
Prepaids and other assets	2,111,860	-	2,111,860	-
Total current assets	1,121,001,296	15,665,107	1,136,666,403	117,169,401
Noncurrent assets:				
Advances to other funds	52,346,403	-	52,346,403	-
Lease receivable	3,215,599	-	3,215,599	-
Notes receivable	1,265,677	-	1,265,677	-
Deferred charges, net of amortization	23,760,332	-	23,760,332	-
Capital assets:				
Land and construction in progress	512,089,497	3,963,598	516,053,095	625,889
License agreement	237,500,000	-	237,500,000	-
Other capital assets, net of depreciation	1,049,031,270	14,871,226	1,063,902,496	15,960,843
Total noncurrent assets	1,879,208,778	18,834,824	1,898,043,602	16,586,732
Total assets	3,000,210,074	34,499,931	3,034,710,005	133,756,133
LIABILITIES				
Current liabilities:				
Vouchers payable	-	2,752,393	2,752,393	10,074,833
Accrued payroll and compensated absences	-	4,637	4,637	1,048,871
Estimated outstanding claims	-	-	-	14,460,182
Incurred but not reported claims	-	-	-	29,047,418
Customer deposits	-	224,398	224,398	-
Due to other funds	-	-	-	22,319
Deferred revenue	-	-	-	703,487
Payable from restricted assets:				
Vouchers payable	22,933,893	-	22,933,893	-
Accrued payroll and compensated absences	4,392,460	-	4,392,460	-
Retainage payable	1,994,839	-	1,994,839	-
Customer deposits	1,610,832	-	1,610,832	-
Due to other funds	206,421	-	206,421	-
Due to other units	1,183,746	-	1,183,746	-
Deferred revenue	30,622,621	-	30,622,621	-
Current portion of long-term liabilities	84,593,046	-	84,593,046	-
Total current liabilities	147,537,858	2,981,428	150,519,286	55,357,110
Noncurrent liabilities:				
Noncurrent portion of long-term liabilities	-	365	365	253,137
Noncurrent portion of long-term liabilities from restricted assets	2,286,855,931	-	2,286,855,931	-
Total noncurrent liabilities	2,286,855,931	365	2,286,856,296	253,137
Total liabilities	2,434,393,789	2,981,793	2,437,375,582	55,610,247
NET ASSETS				
Invested in capital assets, net of related debt	(273,939,555)	18,834,824	(255,104,731)	16,586,732
Restricted for:				
Capital projects	44,747,841	-	44,747,841	-
Debt service	187,085,735	-	187,085,735	-
Toll Road	607,922,264	-	607,922,264	-
Unrestricted	-	12,683,314	12,683,314	61,559,154
Total net assets	$ 565,816,285	$ 31,518,138	$ 597,334,423	$ 78,145,886

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Year Ended February 28, 2009

	Enterprise Funds			
	Toll Road	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Toll revenues	$ 442,015,417	$ -	$ 442,015,417	$ -
Lease revenue	-	-	-	94,942
Intergovernmental	994,397	-	994,397	1,271,747
Charges to departments	-	-	-	221,928,677
Sales	-	8,609,467	8,609,467	-
User fees	-	567,202	567,202	7,626,134
Miscellaneous	-	108,086	108,086	-
Total operating revenues	443,009,814	9,284,755	452,294,569	230,921,500
OPERATING EXPENSES				
Salaries	53,515,886	655,311	54,171,197	9,674,534
Materials and supplies	8,072,061	1,766,989	9,839,050	754,602
Services and fees	51,940,426	2,296,427	54,236,853	6,461,168
Utilities	2,866,487	279,870	3,146,357	849,449
Transportation and travel	1,075,839	-	1,075,839	6,960,557
Incurred claims	-	-	-	176,725,797
Estimated claims	-	-	-	801,911
Cost of goods sold	-	4,078,610	4,078,610	9,063,071
Depreciation	67,034,586	510,522	67,545,108	5,711,776
Total operating expenses	184,505,285	9,587,729	194,093,014	217,002,865
Operating income (loss)	258,504,529	(302,974)	258,201,555	13,918,635
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	41,253,022	418,131	41,671,153	2,986,950
Lease income	462,981	-	462,981	-
Interest expense	(106,674,114)	-	(106,674,114)	-
Gain (loss) on disposal of capital assets	(18,770)	-	(18,770)	195,684
Amortization expense	(14,555,334)	-	(14,555,334)	-
Other nonoperating revenue	599,298	-	599,298	5,528,845
Total nonoperating revenues (expenses)	(78,932,917)	418,131	(78,514,786)	8,711,479
Income before contributions and transfers	179,571,612	115,157	179,686,769	22,630,114
Contributions	9,197,722	-	9,197,722	-
Transfers in	-	-	-	11,125,380
Transfers out	(120,237,481)	(700,000)	(120,937,481)	(5,500,000)
Total contributions and transfers	(111,039,759)	(700,000)	(111,739,759)	5,625,380
Change in net assets	68,531,853	(584,843)	67,947,010	28,255,494
Net assets, beginning	497,284,432	32,102,981	529,387,413	49,890,392
Net assets, ending	$ 565,816,285	$ 31,518,138	$ 597,334,423	$ 78,145,886

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended February 28, 2009

	Enterprise Funds			
	Toll Road	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 448,807,789	$ 10,054,446	$ 458,862,235	$ 231,176,948
Payment to employees	(49,048,348)	(655,722)	(49,704,070)	(9,508,842)
Payment to vendors	(63,375,545)	(6,324,830)	(69,700,375)	(28,272,227)
Claims paid	-	-	-	(177,271,233)
Receipts from miscellaneous reimbursements	599,298	-	599,298	-
Other receipts	-	-	-	16,594
Other payments	-	-	-	(34,295)
Net cash provided by operating activities	336,983,194	3,073,894	340,057,088	16,106,945
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Internal activity - net payments to other funds	(2,076,454)	-	(2,076,454)	-
Transfers from other funds	-	-	-	11,125,380
Transfers to other funds	(120,237,481)	(700,000)	(120,937,481)	(5,500,000)
Net cash provided by (used for) noncapital financing activities	(122,313,935)	(700,000)	(123,013,935)	5,625,380
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Receipts from lease of capital assets	462,981	-	462,981	-
Purchases of capital assets	(84,187,789)	(947)	(84,188,736)	(5,013,579)
Proceeds from sale of capital assets	46,512	-	46,512	-
Principal paid on capital lease	-	-	-	(62,987)
Principal and escrow paid on capital debt	(232,895,000)	-	(232,895,000)	-
Interest paid on capital debt	(111,763,717)	-	(111,763,717)	-
Proceeds from capital debt	422,235,878	-	422,235,878	-
Bond issuance cost	(931,822)	-	(931,822)	-
Net cash used for capital and related financing activities	(7,032,957)	(947)	(7,033,904)	(5,076,566)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advance to other funds	(25,362,503)	-	(25,362,503)	-
Purchase of investments	(1,267,665,898)	(11,367,191)	(1,279,033,089)	(76,322,256)
Proceeds from sales and maturities of investments	957,808,767	3,790,851	961,599,618	73,685,450
Interest received	35,734,638	1,113,267	36,847,905	1,808,359
Net cash used for investing activities	(299,484,996)	(6,463,073)	(305,948,069)	(828,447)
Net change in cash and cash equivalents	(91,848,694)	(4,090,126)	(95,938,820)	15,827,312
Cash and cash equivalents, beginning	187,570,714	10,490,626	198,061,340	16,454,716
Cash and cash equivalents, ending	$ 95,722,020	$ 6,400,500	$ 102,122,520	$ 32,282,028
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	$ 258,504,529	$ (302,974)	$ 258,201,555	$ 13,918,635
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	67,034,586	510,522	67,545,108	5,711,776
Other nonoperating revenues (expenses)	599,298	-	599,298	(17,701)
Changes in current assets and liabilities:				
Receivables, net	2,171,084	763,740	2,934,824	584,872
Notes and leases receivable	699,832	-	699,832	-
Prepaids and other assets	747,923	-	747,923	354,937
Inventories	(3,078,927)	97,917	(2,981,010)	(115,169)
Vouchers payable and accrued liabilities	5,107,023	1,999,149	7,106,172	(4,155,953)
Due to other governmental units	75,468	-	75,468	-
Other liabilities	2,316,755	5,951	2,322,706	-
Deferred revenue	2,927,059	-	2,927,059	(329,424)
Retainage payable	(441,294)	-	(441,294)	-
Compensatory time payable	319,858	(411)	319,447	154,972
Net cash provided by operating activities	$ 336,983,194	$ 3,073,894	$ 340,057,088	$ 16,106,945
Non-Cash Operating, Capital and Related Financing, And Investing Activities:				
Capital contributions received from other governments	$ 9,197,722	$ -	$ 9,197,722	$ -
Increase (decrease) in the fair value of investments	3,850,054	(732,296)	3,117,758	1,136,612

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
February 28, 2009

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	$278,721,163
Investments	130,754,031
Accounts receivable	465,605
Other receivables	4,667,029
Accrued interest receivable	1,032,205
Total assets	$415,640,033
LIABILITIES	
Vouchers payable	$ 1,059,498
Incurred but not reported claims	4,282,135
Held for others	410,298,400
Total liabilities	$415,640,033

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS - COMPONENT UNITS
FEBRUARY 28, 2009

	Mental Health Mental Retardation Authority of Harris County	Harris County Hospital District	Nonmajor Component Units	Total
ASSETS				
Cash and cash equivalents	$ 4,766,522	$ 232,576,000	$ 24,773,140	$ 262,115,662
Investments, including accrued interest	25,261,369	219,125,000	22,125,230	266,511,599
Receivables:				
Taxes, net	-	55,997,000	-	55,997,000
Accounts, net	7,673,455	64,763,000	9,439,071	81,875,526
Other	8,841,194	-	-	8,841,194
Inventories	272,749	6,134,000	-	6,406,749
Prepaids and other assets	528,960	71,089,000	3,503,746	75,121,706
Restricted cash and investments	256,324	545,694,000	11,243,758	557,194,082
Notes receivable	-	-	4,840,360	4,840,360
Capital assets:				
Land,improvements, and construction in progress	3,314,761	58,947,000	725,123	62,986,884
Other capital assets, net of depreciation	20,403,975	180,323,000	95,209,382	295,936,357
Intangible assets net of accumulated amortization	-	-	2,424,622	2,424,622
Total assets	71,319,309	1,434,648,000	174,284,432	1,680,251,741
LIABILITIES				
Vouchers payable and accrued liabilities	8,336,029	135,486,000	12,953,138	156,775,167
Other liabilities	-	79,474,000	-	79,474,000
Deferred revenue	1,216,714	-	23,945,625	25,162,339
Accrued interest payable	-	819,000	637,018	1,456,018
Noncurrent liabilities:				
Due within one year	1,028,072	12,261,000	2,277,941	15,567,013
Due in more than one year	12,490,973	349,460,000	54,897,214	416,848,187
Total liabilities	23,071,788	577,500,000	94,710,936	695,282,724
NET ASSETS				
Invested in capital assets, net of related debt	12,692,827	92,439,000	33,735,618	138,867,445
Restricted for:				
Capital projects	7,947	60,437,000	-	60,444,947
Donor restrictions	-	-	3,915,952	3,915,952
Unrestricted net assets	35,546,747	704,272,000	41,921,926	781,740,673
Total net assets	$ 48,247,521	$ 857,148,000	$ 79,573,496	$ 984,969,017

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
COMPONENT UNITS
For The Year Ended February 28, 2009

	Mental Health Mental Retardation Authority of Harris County	Harris County Hospital District	Nonmajor Component Units	Total
REVENUES				
Program Revenues:				
Charges for services	$ 30,321,923	$ 226,358,000	$ 21,791,858	$ 278,471,781
Operating grants and contributions	93,999,142	179,721,000	112,969,150	386,689,292
Capital grants, contributions and other	193,950	431,514,000	3,951,470	435,659,420
Total program revenues	124,515,015	837,593,000	138,712,478	1,100,820,493
EXPENSES	142,376,550	1,302,889,000	131,534,133	1,576,799,683
Net (expenses) program revenues	(17,861,535)	(465,296,000)	7,178,345	(475,979,190)
General Revenues:				
Ad valorem tax revenues	-	522,053,000	-	522,053,000
Earnings on investments	1,229,517	13,570,000	1,258,026	16,057,543
Other	18,099,177	22,319,000	79,900	40,498,077
Gain on sale of capital assets	6,348	-	-	6,348
Net general revenues	19,335,042	557,942,000	1,337,926	578,614,968
Change in net assets	1,473,507	92,646,000	8,516,271	102,635,778
Net assets, beginning	46,774,014	764,502,000	71,057,225	882,333,239
Net assets, ending	$ 48,247,521	$ 857,148,000	$ 79,573,496	$ 984,969,017

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") and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* ("GASB 39").

In accordance with these standards, a financial reporting entity consists of the primary government and its component units. 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. Blended component units, although legally separate entities, are, in substance, part of the County's operations, and 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 under the component unit total column 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 or a blended component unit includes: financial accountability of Harris County for the component unit, appointment of a voting majority, ability to impose the County's will on the component unit, fiscal dependency criterion, whether there is a financial benefit to or burden to 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 Juvenile Board, and the Harris County Sports & Convention Corporation 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, policies, and flood control issues to protect homes and businesses from the hazards of flooding and 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.

Harris County Juvenile Board ("Juvenile Board"). The Juvenile Board monitors all of the Juvenile Probation department's programs, institutional services, and residential placement facilities. It also sets administrative policies and approves the department's annual budget prior to submission to Commissioners Court. The County has ministerial approval rights over the Juvenile Board budget. The criteria used to include the Juvenile Board as a blended component unit of the County include: fiscal dependency and that the Juvenile Board provides services entirely to the County.

Harris County Sports & Convention Corporation ("Sports & Convention Corporation"). The Sports and 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. 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; the County is able to impose its will on the Sports & Convention Corporation through the approval of the Corporation's annual budget, provision of funding to the Corporation, and the rights to any surpluses of the Corporation.

Discretely Presented Component Units. The component unit column in the combined 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 ("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: 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. Complete financial statements may be obtained from:

Chief Financial Officer
Harris County Hospital District
2525 Holly Hall, Suite 270
Houston, Texas 77054

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 criterion used to determine the Housing Finance Corporation's inclusion as a discretely presented component unit is based on the Housing Finance Corporation's fiscal dependency on the County, as Commissioners Court must approve all bond issuance and members of the governing bodies are all appointed by Commissioners Court. The Housing Finance Corporation was created by Commissioners Court but is not a political subdivision of Harris County under state law. 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, Texas 77002-6760

Mental Health and Mental Retardation Authority ("MHMRA") of Harris County. The MHMRA 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: members of the governing Board of Directors are appointed by Commissioners Court and the County approves the MHMRA's budget, but does not hold title to any of the MHMRA's assets. MHMRA can issue bonded debt without approval from the County. Complete financial statements may be obtained from:

Chief Financial Officer
MHMRA
P.O. Box 25381
Houston, TX 77265

Harris County Industrial Development Corporation ("Industrial Development Corporation"). The Industrial Development Corporation provides financing through the issuance of municipal bonds for qualified manufacturing and certain other facilities located in the County. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing body are appointed by Commissioners Court and the Industrial Development Corporation has the authority to issue bonded debt, which must be approved by Commissioners Court, however, the County has no obligation to assume the bonded debt. In addition, the Industrial Development Corporation does not provide services to the County. Complete financial statements may be obtained from:

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

Children's Assessment Center Foundation, Inc. ("CACF"). The Foundation 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, has a history of supporting the County and the resources are significant to 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

Harris County Housing Authority ("Housing Authority"). The Housing Authority was formed to provide decent, safe and sanitary housing for low to moderate income families. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing body are appointed by Commissioners Court and the employees are leased County Employees. In addition, the Housing Authority provides services to the citizenry, not to the County. Complete financial statements may be obtained from:

Chief Financial Officer
Harris County Housing Authority
8933 Interchange Dr.
Houston, TX 77054

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: members of the governing body are appointed by Commissioners Court and the County approves the HFDC's budget and any bonded debt issued by the HFDC. HFDC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but information relating to conduit debt can be found in note 10.D. in the notes 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: members of the governing body are appointed by Commissioners Court and the services of CEFFC are provided to the citizenry and not to the County. 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 10.D. in the notes 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: February 28, 2009
- Harris County Housing Finance Corporation: December 31, 2008
- Mental Health and Mental Retardation Authority of Harris County: August 31, 2008
- Harris County Industrial Development Corporation: August 31, 2008
- Children's Assessment Center Foundation, Inc.: February 28, 2009
- Housing Authority of Harris County: March 31, 2009

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, and the chairman is appointed jointly by Harris County and the City of Houston; three of twelve board members of the Gulf Coast Freight Rail District, and the chairman is appointed jointly by Harris County and the City of Houston.

During fiscal year 2009, the County disbursed the following amounts to these organizations: $114,545 to the Port of Houston Authority, $6,243 to Harris-Galveston Coastal Subsidence District, $427,324 to Houston-Galveston Area Council, $408,109 to the Metropolitan Transit Authority of Harris County, $1,659,791 to the Harris County/Houston Sports Authority and $75,000 to Gulf Coast Freight Rail District. The County also collected $4,434,693 from the Port of Houston Authority, $166,050 from the Houston-Galveston Area Council, $7,755,059 from the Metropolitan Transit Authority of Harris County and $54,320 from the Harris County/Houston Sports Authority.

The County is also a participant in several jointly governed Tax Increment Reinvestment Zones, (TIRZs) with the City of Houston, City of La Porte, City of Webster, 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 board member, except for the City of Webster TIRZ, where it appoints two board members. There are six City of Houston TIRZs in which Harris County participates: three created by city action (Market Square, Gulfgate, and Greenspoint) and three created by petition (Midtown, South Post Oak, and Old Sixth Ward). Each of the TIRZs that the County jointly governs has from seven to fifteen members of its board of directors. Depending upon the terms of the municipal creation ordinance for a specific TIRZ, a municipality appoints at least five members to a TIRZ board and any affected school district appoints one board member each. 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 one-third of all 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. The County participates in the City of La Porte non-petition TIRZ for which the County appoints one board member.

During fiscal year 2009 (for the tax year ended 12/31/07), the County disbursed $5,367,355 to the City of Houston TIRZs, $52,696 to the City of Baytown TIRZ, $28,784 to the City of La Porte TIRZ and $22,599 to the City of Webster TIRZ. The County subsequently received $479,328 in affordable housing set-aside funds, in accordance with the Interlocal Agreements between the City of Houston, the County, and the respective TIRZs from certain City of Houston petition TIRZs.

C. IMPLEMENTATION OF NEW STANDARDS

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

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), establishes accounting standards for pollution remediation obligations regarding existing pollution areas. Implementation of GASB 49 is reflected in the statements and note disclosure (Note 16).

GASB Statement No. 50, *Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"), more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements. Implementation of GASB 50 is reflected in the note disclosure (Note 13 and 14).

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

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. 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 including capital asset contributions.

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

<u>Fund-level 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 and any unliquidated items are reported at year-end as a reservation of fund balance. These funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds, including the enterprise and internal service funds, and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses 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 assets. The agency funds are custodial in nature and involve no measurement of results of operations.

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

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

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

General Fund - used to account for the general operations of the County and limited-tax permanent improvement debt service of the County.

Roads Capital Projects Fund – used to account for construction and improvements of roads in the County.

PROPRIETARY FUNDS: Enterprise funds are 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 Enterprise Fund - used to account for the acquisition, operation, and maintenance of County toll roads. These facilities are financed primarily through user charges.

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

The County and its Component Units apply all GASB pronouncements as well as the Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, to business-type activities and enterprise funds, under the provision of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.*

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 Subscriber Access and Parking Facilities Enterprise Funds are user fees. Operating revenues of the Sheriff's Commissary Enterprise Fund are comprised of sales 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, plus lease revenue reported in the Vehicle Maintenance and Radio Operations Funds. 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources to the extent they are needed.

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.

- 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 the Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.

- Public hearings are held on the proposed budget.

- The Commissioners Court must adopt an annual operating budget by a majority vote of the 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.

- The Commissioners Court may approve expenditures as an amendment to the budget in an emergency situation that could not have been foreseen at the time the original budget was approved.

- The Commissioners Court may adopt a supplemental budget for the limited purpose of spending proceeds of the sale of bonds or other obligations to be issued against future revenues and public or private grant or aid money for its intended purpose.

- 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 the fiscal year.

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

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

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

A reconciliation of General Fund revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) is presented in the Notes to 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. The County also uses the General Fund to account for bank accounts maintained by the Juvenile Probation Department and to account for forfeited assets in the custody of the District Attorney and to account for similar funds of various other departments.

All of the Toll Road Enterprise Fund's current assets are classified as restricted assets because their use is completely restricted by bond indentures.

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 date of purchase. Investments are stated at fair value, which is based on quoted market prices with the difference between the purchase price and market price 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 stated at the lower of cost or market value, using the first-in, first-out method for proprietary fund types and for governmental funds, except for special revenue grants which states inventory using weighted average cost.

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.

K. DEFERRED CHARGES AND PREMIUMS (DISCOUNTS) ON BONDS PAYABLE

Deferred charges consist of bond issuance costs of the bonds. Such costs are amortized on a straight-line basis over the term of the bonds. Premiums (discounts) on bonds payable are amortized using the effective interest method over the term of the bonds.

L. 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 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, easements, and works of art and historical treasures, regardless of the historical cost. 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 fixed assets are stated at their estimated fair value on the date donated.

It is the County's policy not to capitalize interest on construction for capital assets reported in the governmental activities of the government-wide financial statements. The Toll Road Enterprise Fund capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. During fiscal year 2009, $901,145 of interest expense was capitalized.

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		

M. NET ASSETS AND FUND BALANCES

NET ASSETS CLASSIFICATIONS

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

RESERVATIONS, DESIGNATIONS, AND RESTRICTIONS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. These specific purposes include: debt service and grant programs. Designations of fund balance represent tentative management plans that are subject to change.

In the proprietary fund financial statements and in the government-wide financial statements, restricted net assets are 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.

N. 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 the business-type activities column of the government-wide financial statements as the benefit accrues for the employee.

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 480 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

Non-exempt employees earn compensatory time at one and one-half times their full pay times the excess of 40 hours per week worked. The compensatory time balance for non-exempt employees may not exceed 240 hours. Hours in excess of the 240 hour maximum must be paid to the non-exempt employee at one and a half times the regular rate. Upon termination, non-exempt employees will be paid for compensatory time at their wage rate at time of termination. Exempt employees earn compensatory time at their regular rate of pay for hours worked 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. Compensatory time is carried forward indefinitely.

O. 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.

P. DEFERRED REFUNDING LOSS

The difference between the reacquired price and net carrying amount of old debt incurred due to a bond refunding transaction is deferred and amortized in a manner that is systematic and rational over the remaining life of the old or new debt, whichever is shorter.

Q. USE OF ESTIMATES

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

R. COMPONENT UNIT TAX REVENUES

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of $100,000 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, 2009, the carrying amount of the County's demand and time deposits was $331,546,846 and the balance per various financial institutions was $5,101,522. The County's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the County or its agent in the County'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 Harris County 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 Harris County Investment policy is reviewed and approved annually by Commissioners Court. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

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

1. Obligations of the U.S. or its agencies and instrumentalities.

2. Direct obligations of the State of Texas 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, with a stated final maturity of 10 years or less.

4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the U.S.

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

6. Certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are guaranteed or insured by the FDIC or secured by authorized investments that have a market value of not less than the principal amount of the certificates.

7. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.

8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.

9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of $1 per share as authorized by the Public Funds Investment Act.

10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.

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

Summary of Cash and Investments

Harris County's cash and investments are stated at fair value. The following is a summary the County's of cash and investments at February 28, 2009:

	Governmental Funds	Proprietary Funds	Total	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 401,140,627	$ 38,682,528	$ 439,823,155	$ 278,721,163	$ 718,544,318
Restricted Cash and Cash Equivalents	84,784,623	95,722,020	180,506,643	-	180,506,643
Investments	583,474,210	83,986,586	667,460,796	130,754,031	798,214,827
Restricted Investments	45,409,564	1,005,069,136	1,050,478,700	-	1,050,478,700
Total Cash & Investments	$ 1,114,809,024	$ 1,223,460,270	$ 2,338,269,294	$ 409,475,194	$ 2,747,744,488

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, 2009, 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					
FAMCA	$ 31,855,347	1.32%	$ 29,753,000	0.0320	AAA/Aaa
FFCB	139,071,562	5.76%	136,000,000	0.1350	AAA/Aaa
FHLB	188,874,872	7.82%	187,325,000	0.0896	AAA/Aaa
FHLMC	447,236,551	18.51%	446,400,000	0.3782	AAA/Aaa
FNMA	467,676,214	19.36%	466,263,000	0.3350	AAA/Aaa
Commercial Paper					
AGFC	25,797,127	1.07%	26,000,000	0.0036	A-1/P-1

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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
AIG	$ 2,690,313	0.11%	$ 2,701,000	0.0015	A-1+/P-1
AMEX	1,987,812	0.08%	2,000,000	0.0002	A-1/P-1
Local Governments					
Austin, TX	1,134,851	0.05%	1,120,000	0.0008	AAA/Aa2
California ST	25,040,250	1.04%	25,000,000	0.0112	A/A2
College Station, TX	1,041,834	0.04%	1,115,000	0.0049	A+/A1
Cuyahoga Fall	5,117,493	0.21%	5,100,000	0.0010	AAA/Aaa
Dallas, TX WTR	3,443,987	0.14%	3,315,000	0.0136	AAA/Aa2
Denton, Cnty	1,135,145	0.05%	1,100,000	0.0051	AAA/Aa1
Ellis Cnty, TN	2,544,830	0.11%	2,640,000	0.0117	AA-/Aa3
Frisco, TX GO	5,392,460	0.22%	5,165,000	0.0202	AA/Aa2
Gainesville, FL	12,041,448	0.50%	11,900,000	0.0090	AAA/Aa2
Galveston Cnty	2,597,233	0.11%	2,775,000	0.0114	AA/Aa2
Grayson Cnty	2,960,200	0.12%	3,040,000	0.0138	AAA/Aa3
Harris Cnty Tx - Hospital District	22,072,818	0.91%	22,370,000	0.0635	A/A1
Houston, TX ISD	5,035,700	0.21%	5,000,000	0.0299	AAA/Aa3
Houston, TX Util Sys Rev	4,517,460	0.19%	4,500,000	0.0234	AAA/Aa2
Houston, TX Util Sys Rev Adj	118,625,000	4.91%	118,625,000	0.0029	AAA/Aa3
Kent, Wash G/O	946,622	0.04%	915,000	0.0007	AA-/A1
Lewisville, TX	1,247,393	0.05%	1,225,000	0.0057	AAA/Aaa
Mansfield, TX	4,118,080	0.17%	4,000,000	0.0213	AAA/Aaa
New Jersey EC	11,272,081	0.47%	10,735,000	0.0079	AAA/Aa2
New York St U	3,142,790	0.13%	3,070,000	0.0023	AAA/AA-
North TX TWY	3,584,035	0.15%	3,500,000	0.0206	AAA/Aa2
North TX TWY	4,071,144	0.17%	4,000,000	0.0021	A-/A2
Northwest TX	2,048,680	0.08%	2,000,000	0.0109	AAA/Aaa
Ohio St GO BD	2,520,130	0.10%	2,505,000	0.0002	AA+/Aa1
Pearland, Tex	1,032,151	0.04%	1,075,000	0.0047	AAA/Aa3
San Diego CNT	4,643,417	0.19%	4,610,000	0.0016	AAA/Aa3
San Marcos, Tx	1,497,450	0.06%	1,500,000	0.0070	AAA/Aaa
Southern Cali	2,253,168	0.09%	2,225,000	0.0012	AAA/Aa3
Texas State Go R	2,051,892	0.08%	2,025,000	0.0004	AA/Aa1
Texas St Veteran	75,840,000	3.14%	75,840,000	0.0017	AA/Aa1
Travis Cnty Tx	1,499,567	0.06%	1,505,000	0.0075	AAA/Aaa
Weatherford T	2,845,425	0.12%	2,825,000	0.0105	AA-/A2
Williamson Co	2,706,254	0.11%	2,665,000	0.0120	AAA/Aa2
Wisconsin St	7,626,615	0.32%	7,590,000	0.0029	AAA/Aa3
Money Market Mutual Funds					
Fidelity Instl Treasury	712,029,359	29.47%	712,029,359	N/A	AAAm/Aaa
Fidelity Instl MMKT Tax Exempt	51,330,882	2.12%	51,330,882	N/A	AAAm/Aaa
Total Investments	2,416,197,642	100.00%	$ 2,406,377,241	1.3187	
Demand and Time Deposits	331,546,846				
Total Cash & Investments	$ 2,747,744,488				

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 25% 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 24 months. 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 two years. As of February 28, 2009, 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 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated Aaa by Moody's Investor Rating Service.

The Harris County Sports & Convention Corporation (the "Corporation"), a blended component unit of the County, maintains investments made during the fiscal year ended February 28, 2003 of $12 million in the Sports Authority's Subordinate Lien Notes Series 2001 C-1 and Series 2001 C-2 which are not in compliance with Chapter 2256 of the Texas Government Code because the notes did not receive a rating from at least one nationally recognized investment rating firm.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2009, 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 two investment strategies employed by Harris County 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. Additionally, the Investment Policy specifies average investment durations for each fund type, excluding Pooled Investments. 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	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Pooled Investments	Matching	360	$ 152,040,000	115
Public Improvement Contingency	Barbell	1,800	149,500,000	712
General Fund Group	Matching/Barbell	360	18,025,000	194
Special Revenue Funds	Matching	1,080	21,500,000	444
Debt Service Funds	Matching	1,080	144,679,000	161
Capital Project Funds	Matching	1,080	120,830,000	544
Proprietary Funds	Matching/Barbell	1,080	48,805,000	458
Toll Road Project Funds	Matching	1,080	645,645,000	879
Toll Road Renewal/Replacement	Matching	1,800	139,900,000	867
Toll Road Bond Reserve	Matching	Maturity of the bonds	56,315,000	5,749
County Clerk Registry	Matching/Barbell	2,520	53,825,000	1,222
District Clerk Registry	Matching/Barbell	2,520	57,953,000	1,554
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	34,000,000	1,302
Money Market Mutual Funds	N/A	N/A	763,360,241	N/A
			$ 2,406,377,241	

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. The levy is 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 four 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 rate for the County, the Flood Control District, the Hospital District, and the Port of Houston Authority for debt service only. The County adopted the 2008 tax rate, per $100 of taxable value, for the County and Flood Control District as follows:

	Operations and Maintenance	Debt Service	Total
Harris County			
Constitutional Funds	$ 0.33815	$ 0.03192	$ 0.37007
Road Debt Service	-	0.01916	0.01916
Total - Harris County	$ 0.33815	$ 0.05108	$ 0.38923
Flood Control District	$ 0.02754	$ 0.00332	$ 0.03086

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 $0.38923 per $100 of taxable valuation subject to the $0.80 tax rate limitation, of which $0.37007 per $100 valuation was for Constitutional Funds, and a tax rate of $0.01916 per $100 valuation was for the Road Debt Service.

The Flood Control District is permitted by law to levy a tax rate up to $0.30 per $100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the $0.30 tax rate limit. The tax rate for operations and maintenance 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 operations and maintenance is $0.15 per $100 of taxable valuation. A tax rate of $0.02754 per $100 valuation was levied in 2008 for the Flood Control District's operations and maintenance. The County Tax Assessor 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's Agency Fund. Tax collections deposited for the County and Flood Control District are distributed on a periodic basis to the respective General Funds and Debt Service Funds. These distributions are based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

Property tax receivables of $51,587,047 as of February 28, 2009 are reported net of an allowance for uncollectible taxes of $141,559,625.

COMPONENT UNITS

The Hospital District receives property taxes levied by the County Commissioners Court for operations. 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, made by the County Tax Assessor, are included in the revenues in the period such adjustments are made by the County Tax Assessor.

Property tax receivables of $55,997,000 as of February 28, 2009 are reported net of an allowance for uncollectible taxes of $55,562,000 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. Additionally, the County reports receivables from other governments as due from other governmental units. A breakdown of these receivables at February 28, 2009 is as follows:

RECEIVABLES, OTHER RECEIVABLES AND DUE FROM OTHER GOVERNMENTAL UNIT

	Customers	Granting Agencies	Tax Assessor	Totals
General	$ 25,590,110	$ -	$ 49,487,391	$ 75,077,501
Roads Capital Projects	3,546,288	-	-	3,546,288
Nonmajor Governmental	11,089,458	59,948,511	9,290,247	80,328,216
Toll Road	8,142,152	-	-	8,142,152
Nonmajor Enterprise	49,951	-	-	49,951
Internal Service	5,422,076	-	-	5,422,076
Component Units	81,875,526	8,841,194	-	90,716,720
Totals	$ 135,715,561	$ 68,789,705	$ 58,777,638	$ 263,282,904

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenues in the governmental funds and proprietary funds were as follows:

	Unavailable	Unearned
Taxes receivable (General fund)	$ 44,768,167	$ -
Taxes receivable (nonmajor governmental funds)	6,818,880	-
Grant funding (nonmajor governmental funds)	-	33,009,187
Other receivables (General fund)	8,690,983	9,119,026
Other receivables (Roads capital projects)	2,085,500	-
Other receivables (nonmajor governmental funds)	4,237,203	10,213,080
Other receivables (Toll Road fund)	-	30,622,621
Other receivables (internal service funds)	-	703,487
Total deferred revenue for governmental funds and proprietary funds	$ 66,600,733	$ 83,667,401

5. INTERFUND RECEIVABLES, PAYABLES, 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, 2009 are as follows:

		Receivable	Payable
Current:	General	$ 33,840,330	$ 323,494
	Nonmajor Governmental	16,783,099	50,218,632
	Toll Road	8,412	206,421
	Internal Service	139,025	22,319
	Total Current	50,770,866	50,770,866
Long Term:	General	40,000	30,128,956
	Nonmajor Governmental	12,485,000	34,742,447
	Toll Road	52,346,403	-
	Total	$ 115,642,269	$ 115,642,269

In September 2006, the Toll Road Fund advanced $26 million to the County's General Fund to cover the County's repayment of a long term note on behalf of the Harris County Sports & Convention Corporation. Repayment of the note plus interest by the Harris County/Houston Sports Authority to the County and subsequently to the Authority will be made beginning in 2011 through 2020. In October 2008, Commissioners Court approved an interfund borrowing and line of credit from the Toll Road fund to the Hurricane Ike Disaster fund, not to exceed $60 million. The borrowing and line of credit has a one-year maturity with principal and interest due at maturity with an option for Commissioners Court to extend the note for an additional year. The interfund borrowing was $22 million at February 28, 2009. The $12 million Long Term Receivable relates to the $12 million investment discussed in Note 2.

The following is a summary of the County's transfers for the year ended February 28, 2009:

	Transfers In: General	Nonmajor Governmental	Internal Service	Governmental Activities	Total
Transfers Out:					
General	$ -	$ 29,780,525	$ 7,178,600	$ -	$ 36,959,125
Road Capital Projects	119,615	7,536,863	-	-	7,656,478
Nonmajor Governmental	17,388,359	8,288,405	245,998	-	25,922,762
Toll Road	120,000,000	-	200,000	37,481	120,237,481
Nonmajor Enterprise	700,000	-	-	-	700,000
Internal Service	2,000,000	-	3,500,000	-	5,500,000
Governmental Activities	-	-	782	-	782
Total	$ 140,207,974	$ 45,605,793	$ 11,125,380	$ 37,481	$ 196,976,628

Toll Road transferred $120 million to the General fund for funding of a County thoroughfare and mobility program. All other transfers are routine in nature.

6. CAPITAL ASSETS

COUNTY

Capital asset activity for the year ended February 28, 2009 was as follows:

	Balance March 1, 2008	Additions	Deletions	Transfers	Balance February 28, 2009
Governmental Activities:					
Land	$ 3,795,682,734	$ 50,107,477	$ (22,385)	$ 3,532,937	$ 3,849,300,763
Construction in progress	357,518,503	173,273,367	-	(146,311,630)	384,480,240
Total capital assets not depreciated	4,153,201,237	223,380,844	(22,385)	(142,778,693)	4,233,781,003
Land improvements	3,405,855	9,274	-	-	3,415,129
Infrastructure	9,834,520,064	104,466,932	-	19,822,604	9,958,809,600
Park facilities	101,956,532	231,343	(70,457)	30,649,135	132,766,553
Flood control projects	547,644,476	-	-	85,046,811	632,691,287
Buildings	1,581,792,101	-	-	7,260,143	1,589,052,244
Equipment	267,116,371	26,093,361	(13,402,739)	18,402	279,825,395
	12,336,435,399	130,800,910	(13,473,196)	142,797,095	12,596,560,208
Less accumulated depreciation for:					
Land improvements	(241,696)	(154,471)	-	-	(396,167)
Infrastructure	(3,749,661,845)	(279,079,625)	-	-	(4,028,741,470)
Park facilities	(22,604,787)	(3,318,269)	45,180	-	(25,877,876)
Flood control projects	(198,989,102)	(24,603,485)	-	-	(223,592,587)
Buildings	(343,756,171)	(34,980,982)	-	-	(378,737,153)
Equipment	(166,529,395)	(26,566,402)	12,305,289	19,079	(180,771,429)
	(4,481,782,996)	(368,703,234)	12,350,469	19,079	(4,838,116,682)
Total capital assets being depreciated, net	7,854,652,403	(237,902,324)	(1,122,727)	142,816,174	7,758,443,526
Governmental activities capital assets, net	$ 12,007,853,640	$ (14,521,480)	$ (1,145,112)	$ 37,481	$ 11,992,224,529

The $37,481 balance in the transfers column is due to assets that were transferred between the governmental and business-type funds.

	Balance March 1, 2008	Additions	Deletions	Transfers	Balance February 28, 2009
Business-type Activities:					
Land	$ 270,688,177	$ 15,583,971	$ -	$ -	$ 286,272,148
License Agreement	237,500,000	-	-	-	237,500,000
Construction in progress	196,963,686	69,985,220	-	(37,167,959)	229,780,947
Total capital assets not depreciated	705,151,863	85,569,191	-	(37,167,959)	753,553,095
Land improvements	2,741,917	-	-	-	2,741,917
Infrastructure	1,735,963,226	-	-	-	1,735,963,226
Other tangible assets	20,248,222	933,587	-	-	21,181,809
Buildings	30,750,092	210,162	-	10,578,219	41,538,473
Equipment	17,634,020	6,695,586	(83,145)	26,571,339	50,817,800
	1,807,337,477	7,839,335	(83,145)	37,149,558	1,852,243,225
Less accumulated depreciation for:					
Land improvements	(280,283)	(132,220)	-	-	(412,503)
Infrastructure	(696,432,562)	(58,147,526)	-	-	(754,580,088)
Other tangible assets	(3,909,644)	(3,371,161)	-	-	(7,280,805)
Buildings	(7,931,180)	(672,203)	-	-	(8,603,383)
Equipment	(12,256,207)	(5,221,998)	33,335	(19,080)	(17,463,950)
	(720,809,876)	(67,545,108)	33,335	(19,080)	(788,340,729)
Total capital assets being depreciated, net	1,086,527,601	(59,705,773)	(49,810)	37,130,478	1,063,902,496
Business-type activities capital assets, net	$ 1,791,679,464	$ 25,863,418	$ (49,810)	$ (37,481)	$ 1,817,455,591

Intangible Assets

On December 17, 2002, the Commissioners Court authorized a tri-party agreement among Harris County (acting through the Harris County Toll Road Authority), Texas Department of Transportation and Federal Highway Administration to participate in the reconstruction of a portion of the IH10 Katy Freeway. Under this agreement, the Authority funded $237.5 million for the license to the real property within the limits of and for the right to operate the Toll Facility; and paid an additional $12.5 million for the design and construction, and other allowable expenses related to the Toll Facility. Toll Revenues from the operation of the Toll Facility will be collected by the Authority until the County is paid in full. Amortization of this amount will begin when the project is completed and revenues are being collected (April 2009). The amortization will be based on revenues received. The Toll Facility may revert to the State when the County has been fully paid the reimbursement from revenue or upon payment by the State to the County of an amount equal to the difference between the total amount of the reimbursement and the actual amount paid to the County as of the date of such reversion.

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

Governmental activities:	
Administration of Justice	$ 14,289,475
Parks	10,082,387
County Administration	38,356,425
Health and Human Services	1,229,086
Flood Control	25,979,176
Tax Administration	131,513
Roads and Bridges	278,635,172
	$368,703,234
Business-type activities:	
Parking Facilities	$ 470,006
Sheriff's Commissary	40,516
Toll Road	67,034,586
	$ 67,545,108

COMPONENT UNITS

MHMRA (August 31, 2008)	Fiscal Year Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Fiscal Year Ending Balance
Land	$ 3,314,761	$ -	$ -	$ 3,314,761
Buildings & Improvements	24,672,108	-	-	24,672,108
Equipment, Furniture & Vehicles	7,698,391	462,607	(269,687)	7,891,311
	35,685,260	462,607	(269,687)	35,878,180
Less accumulated depreciation for:				
Buildings & Improvements	(9,573,217)	(922,311)	-	(10,495,528)
Equipment, Furniture & Vehicles	(6,279,901)	(572,378)	249,665	(6,602,614)
	(15,853,118)	(1,494,689)	249,665	(17,098,142)
MHMRA capital assets, net	$ 19,832,142	$ (1,032,082)	$ (20,022)	$ 18,780,038

Hospital District (February 28, 2009)	Fiscal Year Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Fiscal Year Ending Balance
Land & Improvements	$ 28,030,000	$ 48,000	$ -	$ 28,078,000
Construction in progress	8,169,000	22,700,000	-	30,869,000
Total capital assets not depreciated	36,199,000	22,748,000	-	58,947,000
Buildings and Improvements	291,409,000	7,642,000	(744,000)	298,307,000
Equipment	199,389,000	48,714,000	(23,559,000)	224,544,000
	490,798,000	56,356,000	(24,303,000)	522,851,000
Less accumulated depreciation	(323,275,000)	(41,481,000)	22,228,000	(342,528,000)
	(323,275,000)	(41,481,000)	22,228,000	(342,528,000)
Total capital assets being depreciated, net	167,523,000	14,875,000	(2,075,000)	180,323,000
Hospital District capital assets, net	$ 203,722,000	$ 37,623,000	$ (2,075,000)	$ 239,270,000

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

MHMRA records all governmental capital assets at cost, except for donated fixed assets, which are recorded at their fair market value on the date donated. Depreciation is reported at the government-wide level using the straight-line method over the estimated useful lives of the assets. The schedule included here does not include the capital assets of MHMRA's discrete component units (a net value of $4,938,698).

7. CAPITAL LEASES PAYABLE AND INSTALLMENT PURCHASES

The County has entered into several capital lease agreements for the purchase of buildings, one for Sports and Convention Corporation equipment, and two for County equipment; the amounts capitalized are $32,314,676, $1,279,012, and $514,406, respectively. Payments for the buildings and equipment during the fiscal year ended February 28, 2009 totaled $2,969,770 and $377,467 respectively. Payments, including interest at an average rate of 6.3% per annum for buildings, 5.71% for one equipment lease and no interest for the other two equipment leases, are due as follows as of February 28, 2009:

Fiscal year	**Governmental Activities**	
	Buildings	**Equipment**
2010	$ 2,969,767	$ 299,518
2011	2,969,767	212,987
2012	2,969,767	584,532
2013	2,969,767	-
2014	2,969,767	-
2015-2019	12,078,690	-
2020-2024	4,016,676	-
Total future lease payments	30,944,201	1,097,037
Less: Interest	(8,755,172)	(20,298)
	$ 22,189,029	$ 1,076,739

8. OTHER LIABILITIES

The balances Due to Other Governmental Units, by Fund, as of February 28, 2009 are as follows:

Receivable Entity	**Payable Entity**	
Department of Housing & Urban Development	Special Revenue Fund - Grants	$ 32,170
Fort Bend Toll Authority	Toll Road	1,183,746
Total Due to Other Governmental Units		$ 1,215,916

9. SHORT-TERM DEBT

Tax Anticipation Notes

The County issues tax anticipation notes to bridge the cash flow deficit created by a mismatch between an evenly distributed expenditure budget and unevenly distributed revenue collection. Bondholder security is provided by a lien on General Fund property taxes exclusive of those levied for debt service. Property tax receipts are largely received in January and February, while the County's General Fund expenditures are dominated by payroll and benefit costs which are expensed in roughly equal installments throughout the year.

Activity for the year ended February 28, 2009, was as follows:

Governmental Activities	**Outstanding March 1, 2008**	**Issued**	**Redeemed**	**Outstanding February 28, 2009**
Tax Anticipation Notes	$ -	$ 395,000,000	$ (395,000,000)	$ -

10. LONG-TERM DEBT

The changes in the County's Governmental Long-Term Debt and Enterprise Fund Debt for fiscal year 2008-2009 were as follows:

	Outstanding March 1, 2008	Issued/ Increased	Redeemed/ (Decreased)	Outstanding February 28, 2009	Due Within Year
Governmental Long-Term Debt:					
General Obligation Debt					
Road Bonds - Principal	$ 772,327,015	$ 34,605,000	$ (59,957,422)	$ 746,974,593	$ 26,244,593
Permanent Improvement Bonds - Principal	639,211,629	313,875,000	(63,260,000)	889,826,629	37,035,000
Flood Control Bonds - Principal	524,214,698	451,465,000	(445,523,864)	530,155,834	11,572,889
Total Principal General Obligation Debt	1,935,753,342	799,945,000	(568,741,286)	2,166,957,056	74,852,482
Unamortized Premium, Road Series 1993	372,443	-	(289,101)	83,342	-
Unamortized Premium, Road Series 2003A	536,722	-	(142,409)	394,313	-
Unamortized Premium, Road Series 2003B	3,323,703	-	(2,236,580)	1,087,123	-
Unamortized Premium, Road Series 2004A	3,180,144	-	(568,419)	2,611,725	-
Unamortized Premium, Road Series 2004B	5,289,676	-	(306,694)	4,982,982	-
Unamortized Premium, Road Series 2005A	2,476,301	-	(214,624)	2,261,677	-
Unamortized Premium, Road Series 2006A	864,840	-	(305,253)	559,587	-
Unamortized Premium, Road Series 2006B	9,121,542	-	(301,694)	8,819,848	-
Unamortized Premium, Road Series 2008A	-	5,024,614	(360,891)	4,663,723	-
Unamortized Premium, PIB Series 2002	3,736,525	-	(794,803)	2,941,722	-
Unamortized Premium, PIB Series 2003A	353,103	-	(149,341)	203,762	-
Unamortized Premium, PIB Series 2003B	2,675,821	-	(600,938)	2,074,883	-
Unamortized Premium, PIB Series 2004A	6,832,137	-	(495,965)	6,336,172	-
Unamortized Premium, PIB Series 2005A	4,433,939	-	(565,330)	3,868,609	-
Unamortized Premium, PIB Series 2006A	3,509,214	-	(220,950)	3,288,264	-
Unamortized Premium, PIB Series 2008A	-	1,508,926	(584,181)	924,745	-
Unamortized Premium, PIB Series 2008B	-	4,941,468	(394,854)	4,546,614	-
Unamortized Premium, PIB Series 2008C	-	205,015	(74,067)	130,948	-
Unamortized Premium, CJC Series 2004	2,025,962	-	(242,175)	1,783,787	-
Unamortized Premium, FC Series 1993	1,093,154	-	(588,785)	504,369	-
Unamortized Premium, FC Series 2002	361,376	-	(78,819)	282,557	-
Unamortized Discount, FC Series 2003A	(7,060)	-	(2,590)	(9,650)	-
Unamortized Premium, FC Series 2003B	7,928,971	-	(7,928,971)	-	-
Unamortized Premium, FC Series 2004A	7,737,807	-	(6,326,676)	1,411,131	-
Unamortized Premium, FC Series 2006A	5,971,898	-	(184,292)	5,787,606	-
Unamortized Premium, FC Series 2007	5,187,091	-	(161,432)	5,025,659	-
Unamortized Premium, FC Series 2008A	-	19,332,124	(1,405,037)	17,927,087	-
Unamortized Discount, FC Series 2008C	-	(764,569)	(4,976)	(769,545)	-
Bond Refunding Loss, Road Series 2003A	(398,979)	-	52,612	(346,367)	-
Bond Refunding Loss, Road Series 2004A	(2,161,058)	-	225,502	(1,935,556)	-
Bond Refunding Loss, Road Series 2005A	(2,193,086)	-	150,380	(2,042,706)	-
Bond Refunding Loss, Road Series 2006A	(240,869)	-	52,553	(188,316)	-
Bond Refunding Loss, Road Series 2008A	-	(1,201,605)	94,318	(1,107,287)	-
Bond Refunding Loss, PIB Series 2002	(2,580,663)	-	565,948	(2,014,715)	-
Bond Refunding Loss, PIB Series 2003A	(206,065)	-	44,960	(161,105)	-
Bond Refunding Loss, PIB Series 2005A	(2,664,179)	-	233,939	(2,430,240)	-
Bond Refunding Gain, PIB Series 2006A	4,072	-	(565)	3,507	-
Bond Refunding Loss, PIB Series 2008A	-	(74,650)	9,730	(64,920)	-
Bond Refunding Loss, CJC Series 2004	(4,154,150)	-	266,576	(3,887,574)	-
Bond Refunding Loss, FC Series 2002	(60,120)	-	10,033	(50,087)	-
Bond Refunding Loss, FC Series 2003A	(253,113)	-	33,378	(219,735)	-
Bond Refunding Loss, FC Series 2008A	-	(4,055,861)	318,360	(3,737,501)	-
Bond Refunding Loss, FC Series 2008B	-	(443,331)	443,331	-	-
Bond Refunding Loss, FC Series 2008C	-	(10,258,484)	179,482	(10,079,002)	-
Accretion of Discount - Capital Appreciation Bonds:					
Road Series 1993	5,925,265	616,878	(4,142,770)	2,399,373	2,399,373
Road Series 1996	27,292,880	3,412,520	-	30,705,400	-
PIB Series 1996	14,976,945	1,872,618	-	16,849,563	-
GO Revenue Series 2002	22,338,853	4,675,054	-	27,013,907	-
Flood Control Series 1993	12,103,052	1,368,264	(5,906,361)	7,564,955	4,339,568
Total General Obligation Debt	2,080,487,436	826,103,981	(601,639,727)	2,304,951,690	81,591,423

Governmental Long-Term Debt (cont.):	Outstanding March 1, 2008	Issued/ Increased	Redeemed/ (Decreased)	Outstanding February 28, 2009	Due Within Year
Tax and Subordinate Lien Revenue Bonds					
Tax and Subordinate Lien Revenue Forward Refunding, Series 1998	25,555,000	-	(25,555,000)	-	-
Tax and Subordinate Lien Revenue Refunding, Series 2004A	3,680,000	-	-	3,680,000	580,000
Tax and Subordinate Lien Revenue Refunding, Series 2004B	176,800,000	-	-	176,800,000	-
Tax and Subordinate Lien Revenue Refunding, Series 2008A	-	21,275,000	-	21,275,000	4,990,000
Unamortized Premium, Series 2004A	60,083	-	(18,251)	41,832	-
Unamortized Premium, Series 2004B	8,696,732	-	(316,983)	8,379,749	-
Unamortized Premium, Series 2008A	-	490,464	(178,383)	312,081	-
Bond Refunding Loss, Series 2004A	(8,437)	-	1,875	(6,562)	-
Bond Refunding Loss, Series 2004B	(13,505,616)	-	719,997	(12,785,619)	-
Bond Refunding Loss, Series 2008A	-	(197,522)	35,414	(162,108)	-
Total Tax and Subordinate Lien Revenue Bonds	201,277,762	21,567,942	(25,311,331)	197,534,373	5,570,000
Certificates of Obligation					
Series 1998	28,090,000	-	(2,370,000)	25,720,000	-
Series 2001	15,915,000	-	(855,000)	15,060,000	900,000
Series 2002	17,680,000	-	(1,765,000)	15,915,000	2,435,000
Unamortized Premium, Series 2002	585,043	-	(177,471)	407,572	-
Total Certificates of Obligation	62,270,043	-	(5,167,471)	57,102,572	3,335,000
Total Bonds Payable	2,344,035,241	847,671,923	(632,118,529)	2,559,588,635	90,496,423
Commercial Paper Payable	388,940,000	122,961,000	(282,763,000)	229,138,000	-
Compensatory Time Payable	32,225,983	26,973,222	(22,235,928)	36,963,277	19,220,904
Obligations Under Capital Leases	25,430,611	-	(2,164,843)	23,265,768	1,899,621
Judgments Payable	6,238,614	-	(2,093,314)	4,145,300	-
Notes Payable	1,480,145	-	(1,402,606)	77,539	77,539
OPEB Obligation	66,447,722	65,955,763	-	132,403,485	-
Pollution Remediation Obligation	-	1,644,240	-	1,644,240	109,446
Total Governmental Long-Term Debt	$ 2,864,798,316	$ 1,065,206,148	$ (942,778,220)	$ 2,987,226,244	$ 111,803,933

	Outstanding March 1, 2008	Issued/ Increased	Redeemed/ (Decreased)	Outstanding February 28, 2009	Due Within Year
Business-type Long-Term Debt:					
Senior Lien Revenue Bonds	$ 1,401,290,000	$ 324,475,000	$ (26,460,000)	$ 1,699,305,000	$ 28,120,000
Tax Bonds	677,165,665	76,240,000	(87,835,665)	665,570,000	41,540,000
Total Bond Principal	2,078,455,665	400,715,000	(114,295,665)	2,364,875,000	69,660,000
Unamortized Premium, Rev. Series 2002	1,737,400	-	(1,062,821)	674,579	-
Unamortized Premium, Rev. Series 2004A	5,735,207	-	(166,844)	5,568,363	-
Unamortized Premium, Rev. Series 2004B	26,416,909	-	(3,345,843)	23,071,066	-
Unamortized Discount, Rev. Series 2005A	(204,719)	-	5,915	(198,804)	-
Unamortized Premium, Rev. Series 2006A	1,359,450	-	(75,909)	1,283,541	-
Unamortized Premium, Rev. Series 2007A	9,539,565	-	(737,453)	8,802,112	-
Unamortized Discount, Rev. Series 2008B	-	(2,258,818)	(131,995)	(2,390,813)	-
Unamortized Premium, Tax Series 1991	720,323	-	(720,323)	-	-
Unamortized Premium, Tax Series 1992A	256,320	-	(256,320)	-	-
Unamortized Premium, Tax Series 1992B	84,946	-	(84,946)	-	-
Unamortized Premium, Tax Series 1994A	1,195,516	-	(379,079)	816,437	-
Unamortized Premium, Tax Series 1995A	14,592,217	-	(3,951,687)	10,640,530	-
Unamortized Premium, Tax Series 1997	3,728,662	-	(812,776)	2,915,886	-
Unamortized Premium, Tax Series 2001	799,714	-	(184,342)	615,372	-
Unamortized Premium, Tax Series 2002	1,503,589	-	(215,807)	1,287,782	-
Unamortized Discount, Tax Series 2003	(108,473)	-	502,452	393,979	-
Unamortized Premium, Tax Series 2007C	24,736,917	-	(1,373,302)	23,363,615	-
Unamortized Premium, Tax Series 2008A	-	2,947,801	(102,736)	2,845,065	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1991	15,994,366	420,634	(16,415,000)	-	-
Unlimited Tax Series 1992A and 1992B	10,127,396	666,292	(10,793,688)	-	-
Unlimited Tax Series 1995A	17,202,467	6,059,357	-	23,261,824	8,335,907
Unlimited Tax Series 1997	6,022,205	1,341,073	(1,190,000)	6,173,278	1,545,861
Deferred Amount on Refunding	(127,389,470)	(1,216,546)	13,135,721	(115,470,295)	-
Accrued Interest Payable	4,774,620	100,157,018	(99,880,360)	5,051,278	5,051,278
Total Bonds Payable	2,097,280,792	508,831,811	(242,532,808)	2,363,579,795	84,593,046
Commercial Paper Payable	67,000,000	33,350,000	(100,350,000)	-	-
Compensatory Time Payable	980,871	995,979	(676,801)	1,300,049	676,025
OPEB Obligation	3,664,533	3,580,990	-	7,245,523	-
Totals - Business-type Long-Term Debt	$ 2,168,926,196	$ 546,758,780	$ (343,559,609)	$ 2,372,125,367	$ 85,269,071

A. BONDED DEBT

Bonded debt of the County consists of various issues of General Obligation Bonds, Certificates of Obligation and Revenue Bonds. General Obligation Bonds and Certificates of Obligation are direct obligations of the County with the County's full faith and credit pledged towards the payment of this obligation. General Obligation Bonds are issued upon approval by the public at an election. Certificates of Obligation are issued by the vote of Commissioners Court as allowed under the Certificates of Obligation Act. 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, 2009 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2009
Road Bonds					
Refunding Series 1993 - CAB	$ 114,244,962	5.35-5.55%	1993	2009	$ 664,593
Refunding Series 1996 - CAB	124,905,000	5.90-6.00%	1996	2017	26,260,000
Refunding Series 2001	195,680,000	4.00-5.375%	2001	2023	112,570,000
Refunding Series 2003A	46,105,000	3.00-5.25%	2003	2015	17,815,000
Refunding Series 2003B	76,510,000	5.00-5.25%	2003	2023	41,140,000
Refunding Series 2004A	56,055,000	3.00-5.00%	2004	2017	45,080,000
Refunding Series 2004B	144,890,000	3.75-5.25%	2004	2024	144,890,000
Refunding Series 2005A	34,420,000	5.00%	2005	2022	34,420,000
Forward Refunding Series 2006A	28,090,000	5.00%	2006	2012	23,315,000
Refunding Series 2006B	266,960,000	4.50-5.00%	2006	2031	266,960,000
Refunding Series 2008A	34,605,000	4.00-5.25%	2008	2020	33,860,000
	1,122,464,962				746,974,593
Permanent Improvement Bonds					
Refunding Series 1996 - CAB	26,254,584	5.90-6.00%	1996	2017	15,944,584
Refunding Series 1997	57,930,000	4.70-5.75%	1997	2015	12,870,000
Refunding Series 1999	19,535,000	5.00%	1999	2009	860,000
Refunding Series 2001	23,020,000	4.375-5.00%	2001	2014	4,395,000
Refunding Series 2002	195,665,000	2.75-5.25%	2002	2028	122,615,000
Refunding Series 2003A	29,025,000	3.00-5.00%	2003	2012	10,715,000
Refunding Series 2003B	79,725,000	4.00-5.25%	2003	2014	38,130,000
Refunding Series 2004A	118,535,000	3.00-5.25%	2004	2024	116,535,000
Refunding Series 2005A	69,845,000	5.00%	2005	2022	69,845,000
Refunding Series 2006A	73,545,000	4.00-5.00%	2006	2031	73,075,000
Refunding Series 2008A	34,055,000	3.25-5.00%	2008	2015	28,500,000
Refunding Series 2008B	79,325,000	3.50-5.00%	2008	2019	79,325,000
Refunding Series 2008C	200,495,000	5.00-5.75%	2008	2028	200,495,000
Criminal Justice Center Series 2004	63,515,000	3.00-5.00%	2004	2023	53,900,000
GO Revenue Refunding 2002	206,772,045	5.00-5.86%	2002	2028	62,622,045
	1,277,241,629				889,826,629
Flood Control Bonds					
Refunding Series 1993 - CAB	94,464,985	5.40-5.60%	1993	2011	2,070,834
Refunding Series 2002	44,495,000	3.00-5.50%	2002	2014	8,995,000
Refunding Series 2003A	36,945,000	3.00-6.00%	2003	2015	8,315,000
Refunding Series 2004A	139,865,000	3.00-5.25%	2004	2024	34,700,000
Refunding Series 2006A	94,185,000	5.00%	2006	2031	94,185,000
Improvement Series 2007	89,600,000	4.75-5.00%	2007	2031	89,600,000
Refunding Series 2008A	137,095,000	4.00-5.25%	2008	2021	134,190,000
Refunding Series 2008C	158,100,000	3.00-5.125%	2008	2031	158,100,000
	794,749,985				530,155,834

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2009
Tax & Subordinate Lien Revenue Bonds					
Refunding Series 2004A	$ 3,680,000	4.00-5.00%	2004	2012	$ 3,680,000
Refunding Series 2004B	176,800,000	5.00%	2004	2032	176,800,000
Refunding Series 2008A	21,275,000	3.25-5.00%	2008	2012	21,275,000
	201,755,000				201,755,000
Certificates of Obligation					
Series 1998	69,290,000	3.60-4.50%	1998	2023	25,720,000
Series 2001	32,510,000	4.375-5.125%	2001	2027	15,060,000
GO Revenue CO Series 2002	33,060,000	5.00-5.50%	2002	2012	15,915,000
	134,860,000				56,695,000
TOTAL	$ 3,531,071,576				$ 2,425,407,056

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

Outstanding business-type bonded debt at February 28, 2009 follows:

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2009
Senior Lien Revenue Bonds					
Refunding Series 2002	$ 397,520,000	5.00-5.375%	2002	2032	$ 217,065,000
Refunding Series 2004A	168,715,000	4.50-5.00%	2004	2033	168,715,000
Refunding Series 2004B	478,270,000	5.00%	2004	2021	411,135,000
Refunding Series 2005	207,765,000	4.50-5.25%	2005	2031	22,740,000
Revenue Series 2006A	135,530,000	4.50-5.00%	2006	2036	135,530,000
Refunding Series 2007A	275,340,000	4.00-5.00%	2007	2033	274,075,000
Refunding Series 2007B	145,570,000	Floating	2007	2036	145,570,000
Refunding Series 2008B	324,475,000	4.625-5.25%	2008	2047	324,475,000
	2,133,185,000				1,699,305,000

	Original Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	Balance February 28, 2009
Unlimited Tax and Subordinate Lien Bonds					
Refunding Series 1994A	$ 59,925,000	6.50-8.00%	1994	2013	$ 51,610,000
Refunding Series 1995A - CAB	1,500,000	5.80-6.05%	1995	2012	500,000
Refunding Series 1997	150,395,000	5.00-5.125%	1997	2024	26,005,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25%	1997	2013	750,000
Refunding Series 2001	120,740,000	6.00%	2001	2014	120,740,000
Refunding Series 2002	42,260,000	4.00-5.25%	2002	2015	42,260,000
Refunding Series 2003	321,500,000	3.50-5.00%	2003	2033	25,720,000
Refunding Series 2007C	321,745,000	5.00-5.25%	2007	2033	321,745,000
Refunding Series 2008A	76,240,000	3.25-5.00%	2008	2016	76,240,000
	1,097,095,000				665,570,000
TOTAL	$ 3,230,280,000				$ 2,364,875,000

Annual debt service requirements to maturity as of February 28, 2009 are as follows:

Governmental Activities

Fiscal year	Principal At 2/28/2009	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2010	$ 83,757,482	$ 6,738,941	$ 90,496,423	$ 119,292,964	$ 209,789,387
2011	91,838,921	2,392,638	94,231,559	114,428,551	208,660,110
2012	95,559,024	832,749	96,391,773	108,445,997	204,837,770
2013	101,135,000	-	101,135,000	101,293,728	202,428,728
2014	81,037,924	13,152,033	94,189,957	97,227,173	191,417,130
2015-2019	449,695,683	50,756,595	500,452,278	424,928,852	925,381,130
2020-2024	646,096,703	4,651,264	650,747,967	301,732,199	952,480,166
2025-2029	584,926,319	6,008,978	590,935,297	144,682,532	735,617,829
2030-2034	291,360,000	-	291,360,000	25,683,813	317,043,813
	$ 2,425,407,056	$ 84,533,198	$ 2,509,940,254	$ 1,437,715,809	$ 3,947,656,063

Business-Type Activities

Fiscal year	Principal At 2/28/2009	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2010	$ 69,660,000	$ 9,881,768	$ 79,541,768	$ 128,228,181	$ 207,769,949
2011	77,745,000	7,542,765	85,287,765	123,906,047	209,193,812
2012	81,880,000	5,829,131	87,709,131	119,445,803	207,154,934
2013	90,890,000	4,728,241	95,618,241	114,830,941	210,449,182
2014	104,135,000	1,453,197	105,588,197	102,239,187	207,827,384
2015-2019	472,330,000	-	472,330,000	415,723,205	888,053,205
2020-2024	394,305,000	-	394,305,000	305,890,303	700,195,303
2025-2029	302,305,000	-	302,305,000	226,869,180	529,174,180
2030-2034	394,140,000	-	394,140,000	141,645,925	535,785,925
2035-2039	235,945,000	-	235,945,000	53,043,524	288,988,524
2040-2044	70,350,000	-	70,350,000	28,290,619	98,640,619
2045-2049	71,190,000	-	71,190,000	7,720,388	78,910,388
	$ 2,364,875,000	$ 29,435,102	$ 2,394,310,102	$ 1,767,833,303	$ 4,162,143,405

SIGNIFICANT DEBT COVENANTS

The Senior Lien Revenue Bonds are payable from the revenues of the Toll Road. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem tax and also are secured by a pledge of and lien on the revenues of the Toll Road, subordinate to the lien of the Senior Lien Revenue Bonds. The County has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The County also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Road equal to at least 1.25 times the debt service requirements on the Senior Lien Revenue Bonds. The revenue coverage requirement became effective with the completion of the project during fiscal year 1994. The Toll Road Project's revenue coverage ratio for fiscal year 2009 was 4.90.

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. The commercial paper program consists of six series totaling $1.0 billion payable from ad valorem taxes levied and Toll Road revenues. As of February 28, 2009, the County has outstanding, $229.1 million of commercial paper. Commissioners Court, by policy, limits the period allowed for a commercial paper project not to exceed three years. During the length of time the paper is outstanding, the paper may have a maturity term of 1 – 270 days.

The County enters into agreements with credit facilities to provide a line of credit that will act as assurance to the purchaser of the commercial paper that funds will be available to redeem the paper upon demand and that the County can rollover the commercial paper. For Commercial Paper Series B & C, the County has a credit agreement with the Bank of Nova Scotia and Lloyds TSB Bank plc, which expires August 20, 2010. The County anticipates a renewal of the credit agreement prior to the expiration date. For this line of credit, the County is assessed a fee of .34% per annum on the aggregate amount of commitment. If converted to a term loan, the principal amount for Series B and C is to be paid in equal annual installments, commencing on the date which is one year following the date of the advance of such unpaid principal and ending on the earlier of three years from the date of conversion or Maximum Maturity Date (as defined in The Order). For Commercial Paper Series A-1 & D, the County has a credit agreement with the Bank of Nova Scotia and BNP Paribas, which expires August 20, 2010. The County anticipates a renewal of the credit agreement prior to the expiration date. For this line of credit the County is assessed a fee of .34% per annum on the aggregate amount of commitment. If converted to a term loan, the principal amount outstanding for Series A-1 and D is to be repaid in equal annual installments commencing on the date which is one year following the date of the advance of such unpaid principal amount and ending on the earlier of five years from the date of conversion or the Maximum Maturity Date (as defined in The Order). Interest is payable quarterly in arrears, at a rate per annum equal to the adjusted term 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.

<u>COMMERCIAL PAPER – FLOOD CONTROL</u>

On August 21, 2001, Commissioners Court authorized a $200,000,000 commercial paper program designated as the Harris County Flood Control District Contract Tax Commercial Paper Notes, Series F ("Series F Notes") to fund projects identified in an agreement between the County and the Flood Control District ("Flood Contract") and refinance, refund, and renew the notes themselves and fund issuance costs.

The terms of the Series F Notes require the notes to be issued with a maturity of 270 days or less and allow for interest up to the maximum rate allowable under Chapter 1204 of the Texas Government Code, currently 15%. Payment of the principal and interest on the Series F Notes and all expenditures associated with the issuing and paying agent, the dealer and the credit provider is secured by a pledge and lien on the payments to be received by the Flood Control District from the County under the Flood Contract. Under the Flood Contract, the Flood Control District pays all costs relating to the County flood control projects and issues notes to provide the funding for such projects.

The County's commitment under the Flood Contract is the payment to the Flood Control District of amounts necessary for the principal and/or interest due; the fees and expenditures of the issuing and paying agent, the dealer, and the credit provider; amounts related to any special or contingency funds or accounts for the notes; and any amounts to restore deficiencies in such funds or accounts. The County's payment obligation is secured by a levy and pledge of a portion of the County's ad valorem taxes which extends until all obligations under the Series F Notes, including any obligations to refund the notes, are no longer outstanding. During the term of the Flood Contract, the County is required to levy taxes computed at a tax rate sufficient to provide the funds required to make the annual payments and to provide and maintain a sinking fund adequate for such amounts as they become due. Commissioners Court issued an order whereby the sinking fund may never be less than 2% of the County's outstanding indebtedness under the Flood Contract at the time of the tax levy. In setting the tax rate, the County may consider all sources of funding lawfully available or that are to be available including the credit agreement entered into for the Series F Notes, discussed below. The tax year 2008 tax rate adopted by Commissioners Court for fiscal year 2009 to satisfy the annual amount due under the flood contracts related to the 2% limitation was .00663. Based on the County's outstanding indebtedness as of February 28, 2009 (exclusive of Flood Control District debt), this amount required under the 2% limitation is estimated to be $1,688,700.

Under a dealer agreement between the Flood Control District and Morgan Stanley & Co. Incorporated, the Series F Notes are issued in denominations of a minimum of $100,000 and integral multiples of $1,000 thereafter and may bear interest or be sold at a discount. The dealer agreement does not provide for extension, renewal, or automatic rollover of the notes upon maturity. In consideration for the services of the dealer, the Flood Control District is obligated to make quarterly payments equaling .05% of the daily outstanding principal amount of issued Series F Notes. The paying agent for the Series F Notes is Deutsche Bank for which it receives an annual administration fee of $2,500 and per transaction fees ranging from $10 to $40.

The Series F Notes are also secured through an irrevocable, direct-pay, transferable letter of credit between the Flood Control District and the New York branch of Landesbank Hessen-Thuringen Girozentrale. The amount of the letter of credit totals $214,794,521. This total includes the principal amount of the notes ($200,000,000) and interest of $14,794,521 calculated as 270 days at an assumed per annum rate of 10% and a 365-day year. The term of the letter of credit expires August 1, 2010 and is subject to extension of up to 364 days per request. The letter of credit also provides for the establishment of loans with maturity dates ranging from three to four years depending on the earliest of several anniversary dates. The interest rate on such loans may not exceed the maximum rate allowed by law, currently 15%. The principal portion of the loans is repayable in equal quarterly installments and the interest quarterly. Under the terms of the letter of credit, the Flood Control District is charged a quarterly fee, based on the daily average amount of the outstanding draws against the letter of credit ranging from 0.25% to 1.00%, depending on the County's long term parity debt rating. In addition, there are fixed transactional fees ranging from $175 to $5,000.

COMMERCIAL PAPER – TOLL ROAD

In addition to the outstanding long-term debt of the Toll Road Authority ("Toll Road"), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Notes") in an aggregate principal amount not to exceed $200 million outstanding at any one time. As of February 28, 2009, the Toll Road has no outstanding commercial paper.

The purpose of the Series E Notes is to provide funding for costs of acquiring, constructing, operating and maintaining, and improving Toll Road Project components, as well as to fund reserves, pay interest during construction, refinance, refund, and renew the notes themselves, and fund issuance costs.

The Notes will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. Interest on the Notes is payable on an actual/365 or 366-day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowed by law, currently 15%. A minimum purchase of $100,000 aggregate principal amount and integral multiples of $1,000 in excess thereof is required.

The Toll Road entered into a Revolving Credit Agreement as of October 1, 2001 with Dexia Credit Local, whereby Dexia has agreed to advance up to $200 million to the Toll Road to pay the principal of any or all maturing Series E Notes as necessary for a period through October 24, 2010, which is the date of expiration. For this agreement, the County will be assessed a fee of .35% per annum on the aggregate amount of the commitment. The Lender agrees that it will on the first to occur of the Revolving Credit Maturity Date or the 181st day following the date on which any Revolving Credit Loan is made, on the terms and conditions set forth in the Agreement, make a term loan to the County in an amount equal to the outstanding unpaid principal balance of the Lender's Loan Note. The principal amount outstanding for Series E shall be paid in six equal semi-annual installments commencing on the date which is the first business day after the one hundred eightieth day following the day on which such term loan was made so that the term loan is repaid in full after three years from the date the term loan is made. Interest is payable monthly during the Term Loan Period at a rate equal to the base rate (which is the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus one-half of one percent) plus two percent per annum.

The Series E outstanding balance was reduced by $90,000,000 on August 14, 2008. The last outstanding amount of Series E was paid off in full on November 14, 2008. The agreement with Dexia was terminated on May 20, 2009.

CHANGES IN COMMERCIAL PAPER

The following is a schedule of changes in commercial paper for the year ended February 28, 2009:

	Balance Outstanding March 1, 2008	Issued	Retired/ Refunded	Balance Outstanding February 28, 2009	Amount Due Within One Year
Governmental Activities					
Commercial Paper A-1, B, C	$ 183,451,000	$ 73,346,000	$ (112,394,000)	$ 144,403,000	$ -
Commercial Paper D	153,684,000	16,985,000	(170,369,000)	300,000	-
Commercial Paper - Flood Control	51,805,000	32,630,000	-	84,435,000	-
	$ 388,940,000	$ 122,961,000	$ (282,763,000)	$ 229,138,000	$ -
Business-type Activities					
Commercial Paper - Toll Road	$ 67,000,000	$ 33,350,000	$ (100,350,000)	$ -	$ -

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, 2009 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 $229,138,000 at the average rate for the quarter ending February 28, 2009 by series and reflect the effects of any refundings.

	Governmental Activities		
Fiscal year	Principal	Interest	Total
2010	$ -	$ -	$ -
2011	7,675,909	17,424,035	25,099,944
2012	78,937,969	28,261,807	107,199,776
2013	78,937,969	16,256,657	95,194,626
2014	63,586,153	4,543,352	68,129,505
	$ 229,138,000	$ 66,485,851	$ 295,623,851

C. COMPONENT UNITS' DEBT

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

The total debt of the Harris County Hospital District was $361,721,000 as of February 28, 2009 which comprises 84% of the total long-term debt of the County's discretely presented component units. These bonds are 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 $101,400,000 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, 2009.

The total debt of the MHMRA was $13,519,045, of which $8,423,904 represents debt of the primary government (comprised of $5,940,236 notes payable and $2,483,668 compensated absences), as of August 31, 2008 which comprises 3% of the total debt of the County's discretely presented component units.

The total debt of The Children's Assessment Center Foundation was $2,158,651 as of February 28, 2009 which comprises less than 1% of the total long-term debt of the County's discretely presented component units.

The total debt of the Harris County Housing Authority was $55,016,504 (comprised mainly of mortgage notes payable of their component units) as of March 31, 2009 which comprises 13% of the total long-term debt of the County's discretely presented component units.

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, 2008, there were nineteen (19) series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable at August 31, 2008 for the bonds issued after September 1, 1996, was approximately $681,905,354.

Harris County Housing Finance Corporation

As of December 31, 2008, there were forty-five (45) series of bonds outstanding with an aggregate principal payable of $380,312,295. These bonds have been issued by the Housing Finance Corporation to provide financing for the purpose of purchasing single family home mortgages and multifamily home projects for low and moderate income owners/residents, and will be repaid from sources defined in the various underlying financing agreements between the Housing Finance Corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation

The corporation issues bonds if there is a public benefit or public purpose that is necessary or convenient for health care, research or education. As of February 28, 2009 there were fifty-two (52) series of bonds outstanding with an aggregate principal payable of $4,419,535,000. 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, 2009 there were twenty (20) series of Bonds outstanding with an aggregate principal payable of $1,872,530,000. The bonds were issued for the purpose of defraying expansion costs, for Space Center Houston projects, Houston Livestock Show and Rodeo 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. 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:

Description	Year of Voter Authorization	Amount Authorized	Issued as of 2/28/2009	Authorized but Unissued as of 2/28/2009
		(amounts in millions)		
Ad Valorem Tax Bonds				
Toll Road	1983	$ 900.0	$ 882.3	$ 17.7
Flood Control	1987	250.0	250.0	-
Fire-Fighting Facilities	1989	5.0	5.0	-
Libraries	1997	15.0	15.0	-
Parks	1997	7.0	7.0	-
Roads	1997	356.0	356.0	-
Civil Justice Center	1999	119.0	86.0	33.0
Roads	2001	475.0	417.8	57.2
Parks	2001	60.0	60.0	-
Parks	2007	95.0	-	95.0
Forensic Lab	2007	80.0	-	80.0
Family Law Center	2007	70.0	-	70.0
Roads	2007	190.0	-	190.0
Total Ad Valorem Tax Bonds		$ 2,622.0	$ 2,079.1	$ 542.9

F. REFUNDING/ISSUANCE OF DEBT

On March 5, 2008, the County issued $34,055,000 Permanent Improvement Refunding Bonds, Series 2008A to refund and defease a portion of the County's outstanding Permanent Improvement Refunding Bonds, Series 1997, to purchase bond insurance policies for the bonds and to pay costs of such issuance. The annual interest rates range from 3.25% to 5.0%. The issuance had a premium of $1,508,926. Interest accrues semiannually and the bonds mature in fiscal year 2015. The refunding resulted in a decrease in cash flow requirements of $2,598,025 and had an economic gain of $2,300,493.

On March 5, 2008, the County issued $34,605,000 Unlimited Tax Road Refunding Bonds, Series 2008A to refund and defease a portion of the County's outstanding Unlimited Tax Road Refunding Bonds, Series 2003B, to purchase bond insurance policies for the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.25%. The issuance had a premium of $5,024,614. Interest accrues semiannually and the bonds mature in fiscal year 2020. The refunding resulted in a decrease in cash flow requirements of $2,462,574 and had an economic gain of $1,777,087.

On March 5, 2008, the Flood Control District issued $137,095,000 Flood Control District Contract Tax Refunding Bonds, Series 2008A and $156,270,000 Flood Control District Contract Tax Refunding Bonds, Series 2008B to refund and defease a portion of the District's outstanding Flood Control District Contract Tax Refunding Bonds, Series 2003B and the Flood Control District Contract Tax Refunding Bonds, Series 2004A and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.25%. The issuance had a premium of $19,332,124. Interest accrues semiannually and the bonds mature in fiscal year 2021. The refundings resulted in a decrease in cash flow requirements of $19,232,509 and had an economic gain of $13,279,303.

On March 6, 2008, the County entered an Interest Rate Swap with Morgan Stanley Capital Services, Inc., relating to the Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004A and 2004B. The intent of the Swap is to lower the cost of funds relating to the Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004A and 2004B and the related Interest Rate Swap with Goldman Sachs. The effective date is August 15, 2008 and the termination date is February 15, 2010. The initial notional amount is $384,425,000, with an annual amortization reduction. The County pays 60.23% of the 5 year LIBOR-SWAP rate. Morgan Stanley pays the SIFMA Municipal SWAP Index + 23.8 basis points. The rates for both parties reset weekly on Thursdays. The payment dates for both parties are August 15th and February 15th.

On May 29, 2008, the County issued $21,275,000 Tax and Subordinate Lien Revenue Refunding Bonds, Series 2008A to refund and defease a portion of the County's outstanding Tax and Subordinate Lien Revenue Forward Refunding Bonds, Series 1998 (AMT) and to pay costs of issuance and refunding. The annual interest rates range from 3.25% to 5.00%. The issuance had a premium of $490,464. Interest accrues semiannually and the bonds mature in fiscal year 2013. The refunding resulted in a decrease in cash flow requirements of $1,282,919 and had an economic gain of $1,216,452.

On July 17, 2008, the County issued $395,000,000 in Tax Anticipation Notes, Series 2008. The tax anticipation notes were issued to fund the County's cumulative cash flow deficit for the fiscal year beginning March 1, 2008 and ending February 26, 2009, and will be repaid from fiscal year 2009 tax revenues. The tax anticipation notes, which matured February 26, 2009, were issued at an annual interest rate of 3.0%.

On August 14, 2008, the County issued $324,475,000 in Toll Road Senior Lien Revenue and Refunding Bonds, Series 2008B to refund a portion of the County's outstanding Toll Road Senior Lien Revenue Commercial Paper Notes, Series E, to finance the construction of various toll projects, and to pay costs of issuance and refunding. The annual interest rates range from 4.625% to 5.25%. The issuance had a discount of $2,258,818. Interest accrues semiannually and the bonds mature in fiscal year 2048.

On September 4, 2008, the County issued $79,325,000 in Permanent Improvement Refunding Bonds, Series 2008B to refund a portion of the County's General Obligation Commercial Paper Notes, Series A-1, Series B, and Series D and to pay costs of issuance. The annual interest rates range from 3.5% to 5.0%. The issuance had a premium of $4,941,468. Interest accrues semiannually and the bonds mature in fiscal year 2020.

On November 4, 2008, the County issued $200,495,000 in Permanent Improvement Refunding Bonds, Series 2008C to refund and defease all or a portion of the County's General Obligation Commercial Paper Notes, Series A-1 and Series D and to pay costs of issuance. The annual interest rates range from 5.00% to 5.75%. The issuance had a premium of $205,015. Interest accrues semiannually and the bonds mature in fiscal year 2029.

On November 20, 2008, the Flood Control District issued $158,100,000 Flood Control District Contract Tax Refunding Bonds, Series 2008C to refund all of the District's outstanding Flood Control District Contract Tax Refunding Bonds, Series 2008B and to pay costs of issuance. The annual interest rates range from 3.00% to 5.125%. Interest accrues semiannually and the bonds mature in fiscal year 2025. The refunding resulted in a decrease in cash flow requirements of $11,404,486 and had an economic gain of $11,376,674.

On December 30, 2008, the County issued $76,240,000 in Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2008A to refund a portion of the County's outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 2003 and to pay costs of issuance. The annual interest rates range from 3.25% to 5.00%. Interest accrues semiannually and the bonds mature in fiscal year 2017. The refunding resulted in a decrease in cash flow requirements of $1,230,614 and had an economic gain of $1,285,064.

G. DEFEASANCE OF DEBT

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, 2009, the outstanding principal balance of these defeased bonds was as follows:

Property Tax Bonds:		
Road	$	171,300,000
Permanent Improvement		349,485,000
Revenue Bonds:		
Hotel Occupancy		6,390,000
Flood Control:		
Flood Control		432,970,000
Certificates of Obligation:		
General Obligation		54,200,000
Toll Road Bonds:		
Senior Lien Revenue Bonds		1,203,455,000
Tax Bonds		900,170,000
Total Defeased Bonds	$	3,117,970,000

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, 2009 there were no estimated liabilities for arbitrage rebate on governmental or enterprise debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

I. INTEREST RATE SWAPS

The County entered an Interest Rate Swap with Goldman Sachs Capital Markets, L.P., relating to the Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004A and 2004B, bond issues. The intent of the swap was to lower the cost of funds relating to the County's currently outstanding Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004A and 2004B and to provide a $12,000,000 up front payment on the effective date.

The County entered an Interest Rate Swap with Morgan Stanley Capital Services, Inc., relating to the Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004A and 2004B, bond issues. The intent was to offset the Goldman Swap and provide the County with a net positive position of 39.3 basis points.

Terms:

	Goldman Sachs Capital Markets, L.P., Tax & Subordinate Lien, Series 2004A&B		Morgan Stanley, Tax & Subordinate Lien, Series 2004A&B
Trade Date: Restructure Date:	August 16, 2004 July 7, 2006		March 6, 2008
Effective Date: Restructured Effective Date:	August 18, 2004 August 15, 2006		March 6, 2008
Termination Date:	August 15, 2032		February 15, 2010
Initial Notional Amount: (a)	$387,315,000		$384,425,000
County Pays Floating:	SIFMA Muni Swap Index (b)		60.23% of 5yr LIBOR Swap Rate
Counterparty Pays Fixed:	15.5bp on the notional amount		23.8bp on the notional amount
Counterparty Pays Floating:	60.23% of 5yr LIBOR Swap Rate		SIFMA Muni Swap Index
Payment Dates:	The 15th day of February and August		The 15th day of February and August
Fair Value as of 2/28/09:	($31,441,056)		($1,462,569)

(a) The notional amount for the swaps amortizes to match the outstanding bond.
(b) The Securities Industry and Financial Markets Association –SIFMA.

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Risks:

	Goldman Sachs Capital Markets, L.P., Tax & Subordinate Lien, Series 2004A&B	Morgan Stanley, Tax & Subordinate Lien, Series 2004A&B
Credit Risk as of 2/28/09	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A, and A+	A2, A, and A
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.	The County pays the Bond Market Association Municipal Swap Index, while Goldman Sachs pays 60.23% of the 5-year LIBOR Swap rate.	The County pays 60.23% of the 5-year LIBOR Swap rate, while Morgan Stanley pays Bond Market Association Municipal Swap Index.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County in this case is $31,441,056, which is based on a fair market value and it includes the $12,000,000 received from Goldman Sachs when the Swap became effective.	The exposure to the County in this case is $1,462,569, which is based on a fair market value calculation.

The maximum exposure for terminating the swap is capped per the "Counterparty Payment Ceiling" at $50,000,000 for Goldman Sachs Capital Markets, L.P. and $8,000,000 for Morgan Stanley Capital Services, Inc. in any year.

TOLL ROAD

The County entered an Interest Rate Swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2004B-2 and the Senior Lien Revenue Refunding Bonds, Series 2007B. The

County entered an Interest Rate Swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. Two other Interest Rate Swaps, dated September 18, 2008, are not directly related to any existing bond issue. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that are lower than the fixed cost achievable in the cash bond market.

Terms:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	$199,915,000	$72,785,000	$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15th day of each month	The 15th day of February, May, August and November	The 15th day of February, May, August and November
Collateral Threshold: (b)	($15,000,000)	($15,000,000)	($15,000,000)
Fair Value as of 2/28/09:	($20,722,281)	($18,328,235)	($18,328,235)

(a) The notional amount for the swaps amortizes to match the outstanding bond.
(b) Collateral threshold represents the maximum exposure that the counterparty is required to accept without a pledge of collateral. The difference between the fair value and the collateral threshold must be covered by County collateral. The maximum collateral threshold ceiling is $45,000,000.

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Risks:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk as of 2/28/09	Minimal.	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A+, and A+	A1, A+, and A+	Aa1, AA-, and AA-
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $20,722,281, which is based on a fair market value calculation.	The exposure to the County is $18,328,235, which is based on a fair market value calculation.	The exposure to the County is $18,328,235, which is based on a fair market value calculation.

Terms (swaps not directly related to any existing bond issue):

	Goldman Sachs	Goldman Sachs
Trade Date:	September 18, 2008	September 18, 2008
Effective Date:	Any date from and including 6/1/2009 to 12/1/2009.	Any date from and including 6/1/2010 to 12/1/2010.
Termination Date:	August 15, 2039	August 15, 2040
Initial Notional Amount: (a)	$200,000,000	$100,000,000
Authority Pays Fixed:	4.098%	4.237%
Counterparty Pays Floating:	SIFMA Muni Swap Index	SIFMA Muni Swap Index
Payment Dates:	The 15th day of each month	The 15th day of each month
Fair Value as of 2/28/09:	($15,064,443)	($7,171,740)
(a) The notional amount for the swaps amortizes to match the outstanding bond.		

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Risks:

	Goldman Sachs	Goldman Sachs
Credit Risk as of 2/28/09	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A, and A+	A1, A, and A+
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.	Goldman Sachs pays the SIFMA Muni Swap Index, while the County pays a fixed rate of 4.098%.	Goldman Sachs pays the SIFMA Muni Swap Index, while the County pays a fixed rate of 4.237%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $15,064,443, which is based on a fair market value calculation.	The exposure to the County is $7,171,740, which is based on a fair market value calculation.

The collateral threshold pledging requirements have always been met by the County as required in the SWAP Agreements. On December 4, 2008, the County pledged three Federal National Mortgage Association bonds ("FNMA") as collateral to Citibank and JP Morgan to cover the collateral threshold shortfall. The two FNMA bonds pledged to Citibank were exchanged for a Federal Home Loan Mortgage Corp bond ("FHLMC") on January 9, 2009 as FNMA called the bonds. On March 30, 2009, the FNMA bond that was collateral for JP Morgan was also called. It was replaced by a FHLMC bond.

J. SUBSEQUENT DEBT RELATED ACTIVITY

On May 14, 2009, the County issued $215,455,000 Toll Road Senior Lien Revenue Bonds, Series 2009A to finance the construction of toll road projects, to fund the increase in the debt service reserve fund requirement resulting from the issuance of the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.0%. The issuance had a premium of $5,640,228. Interest accrues semiannually and the bonds mature in fiscal year 2038.

On May 20, 2009, the County issued $23,485,000 Permanent Improvement Refunding Bonds, Series 2009A to refund and defease the County's outstanding Tax and Revenue Certificates of Obligation, Series 1998, to purchase bond insurance policies for the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.0%. The issuance had a premium of $2,758,376. Interest accrues semiannually and the bonds mature in fiscal year 2023.

On June 5, 2009, Citibank and JP Morgan released two Federal Home Loan Mortgage Corp. bonds back to the County that had been pledged to cover the collateral threshold shortfall on two SWAPS. The SWAPS were the $199,915,000 SWAP for the 2004B-2 Series Toll Road bonds and the $72,785,000 SWAPs for the 2007B Series Toll Road bonds.

On June 9, 2009, the County terminated the two SWAPs with Goldman Sachs. The SWAPs notional amounts were $200,000,000 and $100,000,000. The SWAPs were not directly related to any bond issues. The County received $1,000,000 from Goldman Sachs due to the fair value of the positions at the time.

On June 18, 2009, the County issued $395,000,000 in Tax Anticipation Notes, Series 2009. The tax anticipation notes were issued to fund the County's cumulative cash flow deficit for the fiscal year beginning March 1, 2009 and ending February 28, 2010, and will be repaid from fiscal year 2010 tax revenues. The tax anticipation notes, which mature February 25, 2010, were issued at an annual interest rate range of 1.50 to 2.00%.

On July 7, 2009, the County pledged a Federal Home Loan Mortgage Corp. bond to Citibank to cover the collateral threshold shortfall on the $199,915,000 interest rate SWAP for the 2004B-2 Series Toll Road bonds.

11. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 28, 2009 were as follows:

	Balance Outstanding March 1, 2008	Earned	Taken/ Paid	Balance Outstanding February 28, 2009	Amount Due Within One Year
Governmental Activities	$ 32,225,983	$ 26,973,222	$ (22,235,928)	$ 36,963,277	$ 19,220,904
Business-type Activities	980,871	995,979	(676,801)	1,300,049	676,025
Total	$ 33,206,854	$ 27,969,201	$ (22,912,729)	$ 38,263,326	$ 19,896,929

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. As noted in Title 30 TAC Chapter 330, Subchapter J, no post closure care is required. Rules governing what can be done on closed landfills are found at Title 30 TAC 330.255 Post-Closure Land Use. Two of the three closed landfill sites are no longer owned by Harris County. The third site was also sold and the title and liability including remediation of the property was transferred during April 2007; in addition, the County has the right but not the obligation to cause the property to be sold if the buyer defaults. The buyer is proceeding with redevelopment and remediation with oversight by the Texas Commission on Environmental Quality and a $1 million letter of credit exists in favor of Harris County that can be drawn against if in default. A fourth site, a former unpermitted landfill, now known as Allison R. Peirce, Jr. Wetlands Nature Sanctuary was acquired by Harris County to ensure that the site was appropriately remediated. The County was receiving Supplemental Environmental Project (SEP) funds as the primary funding of this project. The site is currently being monitored for environmental compliance. The monitoring data will be used to select a closure option that will meet the requirements of the Texas Commission on Environmental Quality's Texas Risk Reduction Program. The selected closure option will determine closure costs which have not yet been estimated. 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, no future remediation of this site is planned. The costs for this landfill are included with the pollution remediation obligation.

13. RETIREMENT PLAN

Plan Description

Harris County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS since 1991, the County has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2009 is 9.74%. The contribution rates for calendar years 2008 and 2007 were 9.64 % and 10.43 %, respectively.

The plan provisions are adopted by Commissioners Court of the County, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. 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. 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.

<u>Funding Policy</u>
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. The County contributed using actuarially determined rate of 9.64% for the months of the calendar year in 2008, and 9.74% for the months of the calendar year in 2009.

The contribution rate payable by the employee members for 2008 and 2009 is the rate of 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<u>Annual Pension Cost</u>
For the County's fiscal year ending February 28, 2009, the annual pension cost for the TCDRS plan and the actual contributions for its employees were $79,047,481. (This excludes actuarial contributions of $2,960,716 for Community Supervision, which is not considered a department or component unit of the County.) The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees,* parameters based on the actuarial valuations as of December 31, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	15	15	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.3 %	5.3 %	5.3 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/09	$ 79,047,481	100%	-
2/28/08	$ 75,944,968	100%	-
2/28/07	$ 65,922,424	100%	-

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	$2,355,663,641
Actuarial Accrued Liability (AAL)	$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	$ 369,123,005
Funded Ratio	86.45%
Annual Covered Payroll (Actuarial)	$ 839,919,068
UAAL as Percentage of Covered Payroll	43.95%

14. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

Harris County administers an agent multiple-employer defined benefit post employment healthcare plan that covers retired employees of participating governmental entities. 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.

Membership in the plan at March 1, 2007, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,000
Active plan members	14,226
Number of participating employers	5

Summary of Significant Accounting Policies

Basis of Accounting. The Plan's transactions are recorded using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable.

Method Used to Value Investments. Investments are reported at fair value, which is based on quoted market prices with the difference between the purchase price and market price being recorded as earnings on investments.

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. The following tables present the criteria for the employers' contribution to the retiree's and qualifying dependent's benefits:

Retired Prior to March 1, 2002:

Years of Service	10 yrs.	9 yrs.	8 yrs.	< 8yrs. with proportionate service and/or disability
Retiree - Employer Share	100%	90%	80%	50%
Retiree - Retiree Share	0%	10%	20%	50%
Dependent - Employer Share	50%	45%	40%	25%
Dependent - Retiree Share	50%	55%	60%	75%

Retired or Eligible to Retire Prior to March 1, 2011:

Employee's age plus years of service	75	75	70-74	< 70	N/A
Years of service	10	8-9	8	4-7	< 4
Consecutive service years at retirement	4	4	4	4	N/A
Retiree - Employer Share	100%	80%	80%	50%	0%
Retiree - Retiree Share	0%	20%	20%	50%	100%
Dependent - Employer Share	50%	40%	40%	25%	0%
Dependent - Retiree Share	50%	60%	60%	75%	100%

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of service equal to 80 or at least age 65 with a minimum of 10 years of service to receive 100% County contributions for retiree coverage and 50%

for dependent coverage. Retirees under age 65 and whose age plus years of service is less than 80 will be required to pay an additional contribution as determined by Commissioners Court.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of service equal to 80 or at least age 65 with a minimum of 15 years of service to receive any County contributions for retiree or dependent coverage.

The Plan rates charged to retirees are set annually by Commissioners Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2009, plan members or beneficiaries receiving benefits contributed $4.53 million, or approximately 14 percent of total benefits paid during the year. Participating employers contributed $26.82 million. The total contributions for the year ended February 28, 2009 was $31.35 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation and network access based on a percent of claims paid.

THE EMPLOYER:

Annual OPEB Cost and Net OPEB Obligation

For 2009, the County's annual OPEB cost (expense) was $96,615,958 for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2009 were as follows:

Annual Required Contribution	$ 97,628,162
Add interest on Net OPEB Obligation	3,685,994
Less adjustment to Annual Required Contribution	(4,698,198)
Annual OPEB Cost	96,615,958
Less Contributions made	(26,823,612)
Change in Net OPEB Obligation	69,792,346
Net OPEB Obligation beginning of the year	70,209,408
Net OPEB Obligation end of the year	$ 140,001,754

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/29/2008	$ 97,628,162	$ 27,418,754	28%	$ 70,209,408
2/28/2009	96,615,958	26,823,612	28%	140,001,754

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The annual Net OPEB obligation for Emergency 911 and Community Supervision is $142,209 and $0 respectively for fiscal year 2008 and the net OPEB obligation for Emergency 911 and Community Supervision is $286,167 and $66,579 respectively at February 28, 2009. Note that this is the second year of implementation of GASB 45, which requires three years of data in the trend information table.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2007 (most recent actuarial valuation) was as follows:

Unfunded actuarial accrued liability (UAAL)	$ 852,350,950
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$ 760,995,816
UAAL as percentage of covered payroll	112%

The above table includes UAAL of $1,317,537 for Emergency 911 and UAAL of $19,615,199 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County's UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2007 actuarial valuation, a 5.25% discount rate was used. The medical trend rates of 10% for 2007 and 9% for 2008 graded down to an ultimate rate of 5% by 2012 per the actuary's best estimate of expected long-term plan experience.

The actuarial cost method used in valuing the County's liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Additional Disclosures

Texas Local Government Code, Chapter 175 requires 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. Harris County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost 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.

GAAP 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.

Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

15. 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 County has insurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the policy for the fiscal year ended February 28, 2009 is $850,000 per occurrence. The liability for outstanding losses includes an actuarially determined amount for incurred but not reported claims. Interfund premiums for workers' compensation are actuarially determined by claims expense experience and payroll history. During the past three fiscal years, there were no claims that exceeded the insurance coverage.

The Risk Management Internal Service Fund serves as a clearing account for the collection of group insurance premiums from all funds and premiums for dependents and optional coverage from employee payroll deductions. Contracted insurance providers receive disbursements from the fund based upon monthly enrollment and premium calculations. 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 is available to pay claims and administrative costs of the programs and to fund claim reserves. During fiscal year 2009, a total of $11,994,283 was paid in benefits and administrative costs. As of February 28, 2009, claims liability, including an actuarial estimate of claims that have been incurred but not reported, totaled $23,996,709.

The following is a summary of the changes in worker's compensation claims liability for the Risk Management Fund for the fiscal years 2009 and 2008:

	2009	2008
Claims liability, beginning of fiscal year	$ 24,389,445	$ 24,977,733
Incurred claims (including IBNRs)	4,360,205	4,568,062
Claim payments	(4,752,941)	(5,156,350)
Claims liablility, end of fiscal year	$ 23,996,709	$ 24,389,445

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. The total obligation for health insurance benefits 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 an insurance trust fund. Retirees and their dependents are accounted for in the Retiree Healthcare agency fund.

For medical insurance benefits, the County is self-insured and contracts with Aetna to administer the program. Claims liability includes an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is based on past claim experience. The County has an excess coverage insurance policy that activates when claims reach 115% of expected claims in aggregate or individual claims in excess of $500,000. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past three fiscal years.

The following is a summary of the changes in medical insurance liability for the Health Insurance Management Fund for the fiscal years 2009 and 2008:

	2009	2008
Claims liability, beginning of fiscal year	$ 30,466,342	$ 24,613,596
Incurred claims (including IBNRs)	158,122,425	155,725,040
Claim payments	(160,780,211)	(149,872,294)
Claims liablility, end of fiscal year	$ 27,808,556	$ 30,466,342

16. COMMITMENTS AND CONTINGENT LIABILITIES

<u>POLLUTION REMEDIATION</u>

The County is subject to numerous Federal, State and local environmental 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 $1,644,241. This includes $65,591 of Flood Control District liabilities. The liability was calculated based on guidance from GASB 49 and professional judgment. 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 ground water plumes as well as obligations recently identified and not yet quantifiable. Although some uncertainties associated with environmental assessment remain, management believes the current provision for such costs is adequate. Additional costs, if any, are not expected to have a material effect on the financial condition of the County.

<u>LITIGATION</u>

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 $4,145,300 for judgments payable have been recorded in the governmental activities of the Government-Wide financial statements. An additional amount of approximately $6,533,946 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements. Also, an amount relating to the Toll Road of approximately $2,019,512 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the 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 are 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, 2009.

OPERATING LEASES

As of February 28, 2009, the County had several operating leases for office space; total lease expense for the current year was $4,023,638. Such leases have terms from one to three years and are subject to renewal each year based upon the County's annual appropriation. As of February 28, 2009, 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
2010	$ 2,816,098
2011	901,813
2012	223,607
2013	70,784
2014	11,336
	$ 4,023,638

CONSTRUCTION COMMITMENTS

The County is committed under various contracts in connection with the construction of County facilities, buildings, and roads of $197,702,521. In addition, the County has construction commitments outstanding relating to the Toll Road of approximately $184,773,067.

17. REVENUE LEASES

OPERATING LEASES

The County is the lessor in several operating leases for certain land and office space. The land leases are for various park areas and expire over the next four years. The office space is in various County owned buildings and expire over the next five to twenty years. The following schedule provides an analysis of the County's investment in the property on the operating leases as of February 28, 2009:

	Carrying Value
Land	$ 3,054,850
Buildings	818,732,170
Total Carrying Value	821,787,020
Less: Accumulated Depreciation	(138,399,953)
	$ 683,387,067

The following is a schedule by years of minimum future rental receipts on non-cancelable operating leases as of February 28, 2009:

Fiscal year	Governmental Activities	Business-Type Activities	Total
2010	$ 1,045,501	$ 452,969	$ 1,498,470
2011	876,547	452,968	1,329,515
2012	143,564	452,969	596,533
2013	15,944	452,968	468,912
2014	15,743	452,969	468,712
2015-2019	58,364	1,317,939	1,376,303
2020-2024	37,569	244,440	282,009
2025-2029	37,569	-	37,569
2030-2034	33,088	-	33,088
2035-2039	31,012	-	31,012
2040-2044	31,012	-	31,012
2045-2049	31,012	-	31,012
2050-2054	18,092	-	18,092
Total minimum future rentals	$ 2,375,017	$ 3,827,222	$ 6,202,239

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 $1,126,346 in 2009.

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 $291,300. These leases are classified as direct-financing leases and expire at various intervals over the next 48 years and are not considered a significant part of the County's operating activities in terms of revenue.

The Toll Road Authority leases equipment to the City of Houston for use at the Airport. The Authority's net investment in direct financing leases is $3,215,599. This lease expires in 4 years and is not considered a significant part of the Authority's business activities in terms of revenue.

18. FUND BALANCE DESIGNATIONS

The unreserved-designated fund balances include amounts which have been internally designated to be set aside and are not considered to be available for immediate appropriation. At February 28, 2009, the County's unreserved-designated fund balances in the Governmental Funds are for public contingency and capital projects and maintenance. The negative unreserved balances occur because of reserve balances for encumbrances. The public contingency designation is recorded in the general fund. The following is a detail of capital projects by fund:

Unreserved, designated for:	
Roads	$ 125,671,695
Permanent Improvements	(26,406,774)
Reliant Park	1,890
Sports and Convention Corporation	(2,582,186)
Flood Control	104,561,793
Total unreserved, designated for capital projects	$ 201,246,418

19. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB 51 will be implemented by the County in fiscal year 2011 and the impact has not yet been determined.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* ("GASB 52"), establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. GASB 52 will be implemented by the County in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 53 will be implemented by the County in fiscal year 2011 and the impact has not yet been determined.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 will be implemented by the County in fiscal year 2012 and the impact has not yet been determined.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 55"), is to incorporate the hierarch of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. GASB 55 will be implemented by the County in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* ("GASB 56"), is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. GASB 56 will be implemented by the County in fiscal year 2010 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2009

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
GENERAL FUND - OPERATING				
Beginning Cash and Investments	$ 258,888,292	$ 258,888,292	$ 277,828,118	$ 18,939,826
Revenues and Transfers In:				
Taxes	889,642,336	889,642,336	919,069,737	29,427,401
Intergovernmental	33,606,152	37,095,111	40,020,801	2,925,690
Charges for Services	199,291,194	199,562,600	197,026,031	(2,536,569)
Fines and Forfeitures	20,916,500	20,916,500	20,585,859	(330,641)
Rentals & Parks	4,809,728	4,809,728	5,137,633	327,905
Reimbursements and Refunds	30,084,519	32,209,019	32,029,379	(179,640)
Interest	9,804,657	9,804,657	10,419,646	614,989
Miscellaneous	8,193,588	11,027,089	17,876,453	6,849,364
Other Transfer In	120,000,000	120,043,458	124,018,195	3,974,737
Total Revenues and Transfers In	1,316,348,674	1,325,110,498	1,366,183,734	41,073,236
Total Available Resources - General Fund - Operating	1,575,236,966	1,583,998,790	1,644,011,852	60,013,062
GENERAL FUND - PUBLIC IMPROVEMENT CONTINGENCY				
Beginning Cash and Investments	24,603,033	24,603,033	24,241,230	(361,803)
Revenues and Transfers In:				
Taxes	18,207,163	18,207,163	16,333,973	(1,873,190)
Interest	541,548	541,548	598,893	57,345
Miscellaneous	-	-	17,794	17,794
Total Revenues and Transfers In	18,748,711	18,748,711	16,950,660	(1,798,051)
Total Available Resources - General Fund - Public Imp.	43,351,744	43,351,744	41,191,890	(2,159,854)
GENERAL FUND - DEBT SERVICE				
Beginning Cash and Investments:				
Hotel Tax, Refunding Series 1998	1,156	1,156	1,140	(16)
Permanent Improvements Refunding Series 1996	337,047	337,047	332,130	(4,917)
Permanent Improvements Refunding Series 1997	7,977,767	7,977,767	7,093,806	(883,961)
Commercial Paper Series B	1,770,604	1,770,604	1,771,592	988
Commercial Paper Series C	6,392,505	6,392,505	6,447,637	55,132
Commercial Paper Series A1	3,180,099	3,180,099	3,178,312	(1,787)
HC/FC Agreement 2003B CP Refunding	9,458,189	9,458,189	9,178,910	(279,279)
HC/FC Agreement 2004A CP Refunding	10,136,313	10,136,313	9,882,861	(253,452)
Permanent Improvement Commercial Paper Series D	6,163,416	6,163,416	6,136,589	(26,827)
Flood Control Comm Paper Agreement	4,703,967	4,703,967	4,701,294	(2,673)
HC/FC Agreement 2006 CP Refunding	4,613,626	4,613,626	4,457,108	(156,518)
Certificates of Obligation Series 1998	3,527,931	3,527,931	3,410,782	(117,149)
Certificates of Obligation Series 2001	1,739,628	1,739,628	1,731,022	(8,606)
Permanent Improvement Refunding Series 2001	810,580	810,580	805,210	(5,370)
Revenue Refunding Series 2002	61,097	61,097	60,963	(134)
Revenue Certificates Series 2002	156	156	189	33
Permanent Improvement Refunding Series 2002	15,567,762	15,567,762	15,098,881	(468,881)
Permanent Improvement Refunding Series 2003A	4,363,331	4,363,331	4,218,003	(145,328)
Permanent Improvement Refunding Series 2003 B	10,977,895	10,977,895	11,006,827	28,932
Permanent Improvement Refunding Series 1999	862,257	862,257	836,309	(25,948)
CJC Refunding Series 2004	5,721,058	5,721,058	5,528,854	(192,204)
Tax & Subordinate Lien Refunding Series 2004A	126	126	133	7

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, 2009

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Tax & Subordinate Lien Refunding Series 2004B	17,726	17,726	17,893	167
Permanent Improvement Refunding Series 2004A	6,383,984	6,383,984	6,168,022	(215,962)
Permanent Improvement Refunding Series 2005A	3,405,786	3,405,786	3,289,504	(116,282)
Permanent Improvement Refunding Series 2006A	3,418,136	3,418,136	3,297,111	(121,025)
Total Beginning Cash and Investments	111,592,142	111,592,142	108,651,082	(2,941,060)
Revenues and Transfers In:				
HC/FC Agreement 2008A CP Refunding	-	2,904,549	9,325,614	6,421,065
HC/FC Agreement 2008B CP Refunding	-	3,200,893	3,200,893	-
HC/FC Agreement 2008C CP Refunding	-	-	6,469,517	6,469,517
Hotel Tax, Refunding Series 1998	5,881,052	27,427,848	26,223,057	(1,204,791)
Permanent Improvements Refunding Series 1996	27,615	27,615	33,879	6,264
Permanent Improvements Refunding Series 1997	7,580,282	42,930,139	36,136,339	(6,793,800)
Commercial Paper Series B	196,688	25,196,688	25,090,598	(106,090)
Commercial Paper Series C	1,534,947	1,534,947	348,865	(1,186,082)
Permanent Improvements Refunding Series 2008C	-	200,700,015	210,827,688	10,127,673
Commercial Paper Series A1	1,633,098	89,027,098	87,748,704	(1,278,394)
HC/FC Agreement 2003B CP Refunding	9,016,353	9,016,353	253,670	(8,762,683)
HC/FC Agreement 2004A CP Refunding	12,636,576	12,636,576	1,863,057	(10,773,519)
Permanent Improvement Commercial Paper Series D	2,887,247	173,256,247	171,716,329	(1,539,918)
Flood Control Comm Paper Agreement	4,558,414	4,558,414	320,980	(4,237,434)
HC/FC Agreement 2006 CP Refunding	5,206,081	5,206,081	4,504,510	(701,571)
Certificates of Obligation Series 1998	1,246,027	1,246,027	1,260,269	14,242
Certificates of Obligation Series 2001	2,026,616	2,026,616	1,420,658	(605,958)
Permanent Improvement Refunding Series 2001	911,647	911,647	789,926	(121,721)
Revenue Refunding Series 2002	2,002	2,002	1,086	(916)
Revenue Certificates Series 2002	2,670,049	2,670,049	2,670,049	-
Permanent Improvement Refunding Series 2002	18,185,291	18,185,291	15,721,016	(2,464,275)
Permanent Improvement Refunding Series 2003A	4,028,655	4,028,655	3,557,585	(471,070)
Permanent Improvement Refunding Series 2003 B	3,129,858	3,129,858	2,447,173	(682,685)
Permanent Improvement Refunding Series 2008C - COI	-	433,722	434,419	697
Permanent Improvement Refunding Series 1999	1,161,291	1,161,291	874,530	(286,761)
CJC Refunding Series 2004	6,446,241	6,446,241	5,640,932	(805,309)
Tax & Subordinate Lien Refunding Series 2004A	174,766	174,766	175,034	268
Tax & Subordinate Lien Refunding Series 2004B	10,841,910	10,841,910	8,111,896	(2,730,014)
Permanent Improvement Refunding Series 2004A	7,166,042	7,166,042	6,268,547	(897,495)
Permanent Improvement Refunding Series 2005A	6,357,163	6,357,163	5,644,159	(713,004)
Permanent Improvement Refunding Series 2006A	3,834,142	3,834,142	3,623,883	(210,259)
Permanent Improvement Refunding Series 2008A	-	42,643,926	47,978,531	5,334,605
Permanent Improvement Refunding Series 2008A - COI	-	102,985	102,985	-
Road Refunding Series 2008A - COI	-	106,372	106,372	-
Permanent Improvement Refunding Series 2008B	-	84,266,468	92,863,222	8,596,754
Permanent Improvement Refunding Series 2008B - COI	-	229,854	230,849	995
Tax & Subordinate Lien Refunding Series 2008A	-	22,758,988	22,345,984	(413,004)
Tax & Subordinate Lien Refunding Series 2008A - COI	-	140,933	140,933	-
Total Revenues and Transfers In	119,340,053	816,488,411	806,473,738	(10,014,673)
Total Available Resources:				
HC/FC Agreement 2008A CP Refunding	-	2,904,549	9,325,614	6,421,065
HC/FC Agreement 2008B CP Refunding	-	3,200,893	3,200,893	-
HC/FC Agreement 2008C CP Refunding	-	-	6,469,517	6,469,517
Hotel Tax, Refunding Series 1998	5,882,208	27,429,004	26,224,197	(1,204,807)

HARRIS COUNTY, TEXAS
GENERAL FUND

SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 28, 2009

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Permanent Improvements Refunding Series 1996	364,662	364,662	366,009	1,347
Permanent Improvements Refunding Series 1997	15,558,049	50,907,906	43,230,145	(7,677,761)
Commercial Paper Series B	1,967,292	26,967,292	26,862,190	(105,102)
Commercial Paper Series C	7,927,452	7,927,452	6,796,502	(1,130,950)
Permanent Improvements Refunding Series 2008C	-	200,700,015	210,827,688	10,127,673
Commercial Paper Series A1	4,813,197	92,207,197	90,927,016	(1,280,181)
HC/FC Agreement 2003B CP Refunding	18,474,542	18,474,542	9,432,580	(9,041,962)
HC/FC Agreement 2004A CP Refunding	22,772,889	22,772,889	11,745,918	(11,026,971)
Permanent Improvement Commercial Paper Series D	9,050,663	179,419,663	177,852,918	(1,566,745)
Flood Control Comm Paper Agreement	9,262,381	9,262,381	5,022,274	(4,240,107)
HC/FC Agreement 2006 CP Refunding	9,819,707	9,819,707	8,961,618	(858,089)
Certificates of Obligation Series 1998	4,773,958	4,773,958	4,671,051	(102,907)
Certificates of Obligation Series 2001	3,766,244	3,766,244	3,151,680	(614,564)
Permanent Improvement Refunding Series 2001	1,722,227	1,722,227	1,595,136	(127,091)
Revenue Refunding Series 2002	63,099	63,099	62,049	(1,050)
Revenue Certificates Series 2002	2,670,205	2,670,205	2,670,238	33
Permanent Improvement Refunding Series 2002	33,753,053	33,753,053	30,819,897	(2,933,156)
Permanent Improvement Refunding Series 2003A	8,391,986	8,391,986	7,775,588	(616,398)
Permanent Improvement Refunding Series 2003 B	14,107,753	14,107,753	13,454,000	(653,753)
Permanent Improvement Refunding Series 2008C - COI	-	433,722	434,419	697
Permanent Improvement Refunding Series 1999	2,023,548	2,023,548	1,710,839	(312,709)
CJC Refunding Series 2004	12,167,299	12,167,299	11,169,786	(997,513)
Tax & Subordinate Lien Refunding Series 2004A	174,892	174,892	175,167	275
Tax & Subordinate Lien Refunding Series 2004B	10,859,636	10,859,636	8,129,789	(2,729,847)
Permanent Improvement Refunding Series 2004A	13,550,026	13,550,026	12,436,569	(1,113,457)
Permanent Improvement Refunding Series 2005A	9,762,949	9,762,949	8,933,663	(829,286)
Permanent Improvement Refunding Series 2006A	7,252,278	7,252,278	6,920,994	(331,284)
Permanent Improvement Refunding Series 2008A	-	42,643,926	47,978,531	5,334,605
Permanent Improvement Refunding Series 2008A - COI	-	102,985	102,985	-
Road Refunding Series 2008A - COI	-	106,372	106,372	-
Permanent Improvement Refunding Series 2008B	-	84,266,468	92,863,222	8,596,754
Permanent Improvement Refunding Series 2008B - COI	-	229,854	230,849	995
Tax & Subordinate Lien Refunding Series 2008A	-	22,758,988	22,345,984	(413,004)
Tax & Subordinate Lien Refunding Series 2008A - COI	-	140,933	140,933	-
Total Available Resources - General Fund - Debt Service	230,932,195	928,080,553	915,124,820	(12,955,733)

TOTAL GENERAL FUND

	Adopted Budget	Adjusted Budget	Actual	Over (Under)
Beginning Cash and Investments	395,083,467	395,083,467	410,720,430	15,636,963
Revenues and Transfers In	1,454,437,438	2,160,347,620	2,189,608,132	29,260,512
TOTAL GENERAL FUND	$ 1,849,520,905	$ 2,555,431,087	$ 2,600,328,562	$ 44,897,475

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, 2009

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEPARTMENTS				
Public Infrastructure	$ 13,402,458	$ 7,128,853	$ 5,839,827	1,289,026
Right of Way	2,335,345	2,335,021	1,990,601	344,420
Construction Programs Division	-	5,273,605	4,568,365	705,240
Appraisal District	7,497,894	8,623,766	8,623,766	-
County Judge	4,907,113	5,475,225	5,294,257	180,968
Commissioner Precinct 1	100,518,932	70,719,802	23,984,845	46,734,957
Commissioner Precinct 2	93,132,491	93,064,726	35,138,039	57,926,687
Commissioner Precinct 3	96,458,951	66,828,223	36,343,194	30,485,029
Commissioner Precinct 4	124,635,142	84,631,211	46,996,178	37,635,033
Tunnel and Ferries Operation	5,098,821	5,099,409	4,578,138	521,271
Management Services	52,346,338	51,635,351	47,980,961	3,654,390
Legislative Services	-	632,785	239,717	393,068
Public Infrastructure - Architecture & Engineering	29,213,845	29,787,727	27,543,228	2,244,499
Fire Marshal's Office	6,044,474	7,007,104	6,680,972	326,132
Medical Examiner	18,212,155	20,560,299	19,632,019	928,280
Public Health Services	27,911,431	29,728,003	29,301,097	426,906
Public Library	25,155,549	25,340,481	25,326,697	13,784
Domestic Relations	2,888,969	2,968,113	2,583,075	385,038
Community Services	10,827,446	11,060,035	10,761,446	298,589
Information Technology Center	37,828,826	38,419,026	38,185,762	233,264
MHMRA	23,392,907	23,392,907	23,392,907	-
Facilities and Property Management	64,513,518	64,546,371	62,041,913	2,504,458
Constable Precinct 1	23,028,231	24,910,917	24,697,474	213,443
Constable Precinct 2	5,689,677	6,215,953	6,094,047	121,906
Constable Precinct 3	10,304,418	10,863,407	10,771,237	92,170
Constable Precinct 4	29,693,390	31,853,815	31,762,537	91,278
Constable Precinct 5	27,671,105	29,670,115	29,524,440	145,675
Constable Precinct 6	6,548,864	7,460,814	7,346,002	114,812
Constable Precinct 7	6,904,871	8,006,361	7,895,710	110,651
Constable Precinct 8	5,891,840	6,326,730	6,237,132	89,598
Justice of the Peace 1-1	1,578,750	1,578,750	1,541,923	36,827
Justice of the Peace 1-2	2,122,607	2,172,607	2,165,007	7,600
Justice of the Peace 2-1	835,293	835,293	822,174	13,119
Justice of the Peace 2-2	801,801	808,751	800,910	7,841
Justice of the Peace 3-1	1,527,950	1,527,950	1,506,999	20,951
Justice of the Peace 3-2	1,083,762	1,083,762	1,074,628	9,134
Justice of the Peace 4-1	2,604,171	2,604,171	2,439,126	165,045
Justice of the Peace 4-2	1,305,028	1,305,028	1,251,391	53,637

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, 2009

		Adopted Budget	Adjusted Budget	Actual	(Over) Under
	Justice of the Peace 5-1	1,648,992	1,651,502	1,644,963	6,539
	Justice of the Peace 5-2	2,409,844	2,409,844	2,311,332	98,512
	Justice of the Peace 6-1	546,674	558,574	554,221	4,353
	Justice of the Peace 6-2	582,473	621,393	615,752	5,641
	Justice of the Peace 7-1	669,300	669,300	598,975	70,325
	Justice of the Peace 7-2	758,310	813,560	810,830	2,730
	Justice of the Peace 8-1	973,761	991,171	982,389	8,782
	Justice of the Peace 8-2	1,000,567	1,000,567	958,919	41,648
	County Attorney	18,121,349	25,174,587	24,446,748	727,839
	County Clerk	25,287,020	26,477,682	26,313,596	164,086
	County Treasurer	1,181,110	1,180,655	1,088,980	91,675
	Tax Assessor-Collector	26,100,842	26,350,570	26,231,533	119,037
	County Sheriff	350,002,226	411,488,323	406,518,832	4,969,491
	District Attorney	50,205,344	58,196,544	57,757,499	439,045
	District Clerk	31,000,677	30,450,877	29,864,232	586,645
	Community Supervision and Correction	811,835	812,660	805,249	7,411
	Pretrial Services	7,180,390	7,636,890	7,604,321	32,569
	County Auditor	13,802,023	13,802,023	12,541,447	1,260,576
	Purchasing Agent	6,657,278	6,425,278	6,303,949	121,329
	District Courts	43,041,756	49,548,171	49,483,963	64,208
	Texas Agrilife Extension Services	794,903	817,873	812,534	5,339
	Juvenile Probation	70,001,782	75,842,517	74,443,042	1,399,475
	Sheriff's Civil Service	245,082	245,082	177,102	67,980
	Protective Services- Children and Adults	21,955,138	21,959,138	20,877,131	1,082,007
	Children's Assessment Center	5,234,949	5,151,409	4,934,930	216,479
	1st Court of Appeals	78,973	78,973	71,043	7,930
	14th Court of Appeals	78,973	78,973	76,827	2,146
	County Courts	14,780,354	15,924,319	15,596,381	327,938
	Probate Court 1	1,192,204	1,193,421	1,175,866	17,555
	Probate Court 2	1,192,204	1,192,204	1,182,672	9,532
	Probate Court 3	2,594,066	2,649,850	2,610,256	39,594
	Probate Court 4	1,192,204	1,192,204	1,113,292	78,912
	Total General Fund By Department	1,575,236,966	1,584,068,601	1,383,466,547	200,602,054
1230	Public Improvement Contingency	43,351,744	43,351,744	13,240,000	30,111,744

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, 2009

		Adopted Budget	Adjusted Budget	Actual	(Over) Under
GENERAL FUND DEBT SERVICE					
1050	HC/FC Agreement 2008A CP Refunding	-	2,904,550	2,903,000	1,550
1060	HC/FC Agreement 2008B CP Refunding	-	3,200,893	3,200,893	-
1160	HOT Tax Refunding Forward, Series 1998	5,882,208	27,429,004	26,224,196	1,204,808
1250	Permanent Improvement Refunding Series 1996	364,662	364,662	-	364,662
1260	Permanent Improvement Refunding Series 1997	15,558,049	50,907,906	42,464,882	8,443,024
1390	Commercial Paper Series B	1,967,292	26,967,292	25,282,184	1,685,108
1400	Commercial Paper Series C	7,927,452	7,927,452	2,643,660	5,283,792
1410	Permanent Improvement Refunding Series 2008C	-	200,700,015	200,699,058	957
1420	Commercial Paper Series A-1	4,813,197	92,207,197	89,613,452	2,593,745
1430	HC/FC Agreement 2003B CP Refunding	18,474,542	18,474,542	9,432,580	9,041,962
1440	HC/FC Agreement 2004A CP Refunding	22,772,889	22,772,889	5,115,000	17,657,889
1470	Commercial Paper Series - Flood Control	9,050,663	179,419,663	174,176,896	5,242,767
1480	Flood Control CP Agreement	9,262,381	9,262,381	1,047,799	8,214,582
1490	HC/FC Agreement 2006 CP Refunding	9,819,707	9,819,707	4,703,300	5,116,407
1500	Certificate of Obligation, Series 1998	4,773,958	4,773,958	3,634,050	1,139,908
1530	Certificate of Obligation, Series 2001	3,766,244	3,766,244	1,628,078	2,138,166
1550	Permanent Improvement Refunding Series 2001	1,722,227	1,722,227	840,998	881,229
1600	Revenue Refunding Series 2002	63,099	63,099	-	63,099
1610	Revenue Certificates Series 2002	2,670,205	2,670,205	2,670,025	180
1620	Permanent Improvement Refunding Series 2002	33,753,053	33,753,053	15,763,388	17,989,665
1650	Permanent Improvement Refunding Series 2003A	8,391,986	8,391,986	4,459,000	3,932,986
1680	Permanent Improvement Refunding Series 2003B	14,107,753	14,107,753	6,890,500	7,217,253
1700	PIB Refunding Bonds 2008C - Cost of Issuance	-	434,419	434,419	-
1710	Permanent Improvement Refunding Series 1999	2,023,548	2,023,548	904,000	1,119,548
1730	CJC Refunding Series 2004B	12,167,299	12,167,299	5,850,762	6,316,537
1750	Tax & Sub Lien Refunding 2004A	174,892	174,892	174,750	142
1770	Tax & Sub Lien Refunding 2004B	10,859,636	10,859,636	7,382,778	3,476,858
1780	Permanent Improvement Refunding Series 2004A	13,550,026	13,550,026	6,512,378	7,037,648
1800	PIB Refunding Bonds 2005A Debt Service	9,762,949	9,762,949	3,492,250	6,270,699
1850	PIB Refunding Bonds 2006A - Debt Service	7,252,278	7,252,278	3,478,225	3,774,053
1870	PIB Refunding Bonds 2008A - Debt Service	-	42,643,926	41,945,070	698,856
1880	PIB Refunding Bonds 2008A - Cost of Issuance	-	102,985	102,985	-
1890	Unlimited Tax Road Refunding 2008A	-	106,372	106,372	-
1910	PIB Refunding Bonds 2008B - Debt Service	-	84,496,322	84,261,739	234,583
1920	PIB Refunding Bonds 2008B - Cost of Issuance	-	230,849	230,849	-
1940	Tax & Sub Lien Refunding 2008A - Debt Service	-	22,758,988	22,345,813	413,175
1950	Tax & Sub Lien Refunding 2008A - Cost of Issuance	-	140,933	140,933	-
	Total General Fund Debt Service	230,932,195	928,312,100	800,756,262	127,555,838
Total General Fund		$ 1,849,520,905	$ 2,555,732,445	$ 2,197,462,809	$ 358,269,636

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 28, 2009

1. RECONCILIATION OF ACCOUNTING BASIS

A reconciliation of revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) for the general fund is as follows:

	GENERAL FUND
REVENUES AND OTHER SOURCES	
Cash (budgetary) basis	$ 2,600,328,562
Beginning Cash and Investments	(410,720,430)
Accrued in 2008, received in 2009	(63,162,767)
Entry to eliminate transfers between funds	(360,359,034)
Accrued in 2009, to be received in 2010	75,239,414
Revenues and other sources on modified accrual (GAAP) basis	1,841,325,745
EXPENDITURES AND OTHER USES	
Cash (budgetary) basis	2,197,462,809
Incurred during 2008, paid in 2009	(100,061,164)
Entry to eliminate transfers between funds	(360,359,034)
Incurred during 2009, payable in 2010	103,808,249
Expenditures and other uses on modified accrual (GAAP) basis	1,840,850,860
Changes in Fund Balances	$ 474,885

2. ANALYSIS OF SIGNIFICANT EXPENDITURE VARIANCES

In four departments and two general fund debt service accounts, there were significant variances between the budgeted amount and actual expenditures.

The four departments with significant variances are all Commissioner Precincts, which have a combined positive variance of $172,781,706. 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 Permanent Improvement Refunding Series 2002 has a positive variance of $17,989,665 and the HC/FC Agreement 2004A CP Refunding has a positive variance of $17,657,889. 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 this case, the debt payment amount is high enough to cause a significant variance, and will continue to cause significant variances in the future.

HARRIS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2008	3/1/2007	$ -	$ 852,350,950	$ 852,350,950	0%	$ 698,535,669	122.0%
2009	3/1/2007	-	852,350,950	852,350,950	0%	760,995,816	112.0%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are $1,317,537 and $19,615,199 respectively.

Note: This is the second year of implementation of GASB 45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was 3/1/2007.

HARRIS COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Value of Assets	$2,184,433,915	$2,375,906,657	$2,355,663,641
Actuarial Accrued Liability (AAL)	$2,322,483,635	$2,521,078,602	$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	$ 138,049,720	$ 145,171,945	$ 369,123,005
Funded Ratio	94.06%	94.24%	86.45%
Annual Covered Payroll (Actuarial)	$ 682,345,135	$ 755,852,867	$ 839,919,068
UAAL as Percentage of Covered Payroll	20.23%	19.21%	43.95%

Harris County Toll Road Authority Enterprise Fund

A Department of Harris County, Texas

Basic Financial Statements

For The Fiscal Year Ended

February 28, 2009

Toll Road Enterprise Fund of Harris County, Texas

Financial Statements As of February 28, 2009 and for the Year Then Ended and Independent Auditors' Report

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2009

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INTRODUCTORY SECTION

Mike Post, C.P.A.
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Accounting Division

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July 27, 2009

Honorable District Judges of Harris County and
Honorable Members of the Harris County Commissioners Court

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended February 28, 2009. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

The report consists of management's representations concerning the finances of the Authority. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 9.

Management of the Authority has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for fiscal year ended February 28, 2009 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE AUTHORITY

History

The Harris County Toll Road Authority was established in 1983 by the Harris County Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters authorized issuance of up to $900 million in bonds to construct, operate and maintain toll roads in Harris County. The first two components of the toll road system, the Hardy Toll Road and the Sam Houston Tollway-West were completed in 1987 and 1990 respectively. In 1994, the County purchased the Jesse H. Jones Memorial Bridge toll facility from the Texas Turnpike Authority, which was renamed the Sam Houston Ship Channel Bridge. As part of the County's purchase of the Bridge, the County reached agreements with the Texas Department of Transportation for contributions of federal funds for construction of Sam Houston Tollway-East and Sam Houston Tollway-South.

Authority Structure and Services

The Authority, a division of the County's Public Infrastructure Department, is an Enterprise Fund of the County and relies on charges from users of the toll road system to fund operations, debt service, and future projects. Led by its Executive Director, Art Storey, the Authority is organized under its Director, Gary Stobb, P.E., and operates through multiple divisions that include: Future Infrastructure, Existing Infrastructure (including Toll Operations, Facilities Maintenance, and Toll Equipment Maintenance), Information Technology, Customer Service (includes EZ Tag stores, Violations, and Call Center), Finance, Communications, Incident Management, Human Resources, Legal, and Special Projects. The majority of the construction projects are managed by the Construction Programs Division of the County's Public Infrastructure Department. The Authority currently has approximately 900 employees.

Budget Process

In accordance with Chapter 111 of the Local Government Code, the County prepares and adopts an annual operating budget which serves as a financial plan for the Authority for the new fiscal year beginning March 1. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the General Fund is at the department level; for other funds budgetary control is implemented at various levels. For example, budgetary control for debt service funds is at the individual bond issue level. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money, for capital projects through the issuance of bonds, intergovernmental contracts, and new source revenue not anticipated at budget adoption. Purchase orders and contracts are not valid until the County Auditor certifies availability of funds for payment of the obligation. Encumbrance accounting is utilized to ensure effective budgetary control and accountability, and unencumbered appropriations lapse at year-end.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The global recession along with weak energy prices have curtailed the County's robust employment growth. This became especially evident during the first quarter of 2009. Sectors of the local economy that have shed jobs include refining, petrochemicals, construction, retail and wholesale trade, transportation, utilities, finance and informational services. Upstream energy employment job growth has slowed with the Texas Alliance of Energy producers predicting that the oil and gas industry will not recover until 2010. The University of Houston's Institute for Regional Forecasting has forecast regional job losses in 2009 and 2010 of 56,000, mostly occurring in 2009. Factors that will continue to influence the County's economic future are the health of the national economy, energy prices, and the value of the dollar against major foreign currencies.

Today, Harris County's economy is largely based on a broad spectrum of industries including:

- Oil and gas exploration
- Basic petroleum refining
- Petrochemical production
- Medical research and health care delivery
- High technology – computers, aerospace, environmental, etc.
- Government – city, county, state and federal (i.e. NASA)
- International import & export
- Commercial fishing
- Agriculture
- Education
- Banking and finance
- Manufacturing and distribution
- Related service industries

The Houston Association of Realtors reported a 17.3 percent decline in closings during 2008 with the total sales volume falling 15.9 percent. In April 2009, the average sales price for a single-family home was $194,222, which was 5.8 percent lower than in April 2008. However, the median price was $149,050, virtually unchanged from April 2008. Sales of foreclosed single-family properties have slowed recently. In April 2009, foreclosures made up 23.6 percent of all single-family sales compared to 34.0 percent in January 2009.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile assembly of public and private facilities along the Houston Ship Channel. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce and second in total tonnage, with a total of 8,053 vessel calls in 2008. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a $387 million bond issue for the construction of a new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly $1 billion in new business revenues and more than $40 million in new tax revenues annually.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, the fourth largest airport in the country, and state of the art telecommunication services. In January 2004, a 7.5-mile light rail line was completed, linking Houston's Central Business District, the Museum District, the Texas Medical Center, and Reliant Stadium. In March 2009, the Metropolitan Transit Authority contracted to construct approximately 20 additional miles of light rail lines.

Harris County is the nation's third most populous county, ranking behind Los Angeles County, California and Cook County, Illinois. Houston is tied with Chicago for second place among metropolitan statistical areas for the number of *Fortune 500* headquarters with twenty-nine, behind New York, which has seventy-three.

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's two medical schools are the University of Texas Medical School and Baylor College of Medicine.

Financial Policies and Long-Term Financial Planning

The County's financial policies also apply to the Authority. Some of the County's financial policies are:

- Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum undesignated fund balance for operating funds will be no less than 15% of fiscal year expenditures;

- Full disclosure and open lines of communications will be provided for rating agencies. A goal is sustaining the County's AAA (Standard & Poor's), Aa1 (Moody's), and AA+ (Fitch) debt rating with a stable outlook; and

- The County's investment policy has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds. The County's general objectives in investing its funds are: understanding the suitability of the investment to the financial requirements of the County, preservation and safety of principal, liquidity, marketability of the investment if the need arises to liquidate the investment before maturity, diversification of the investment portfolio, and yield. The "prudent person" standard has been adopted for managing the portfolio for the County. To ensure safety of public funds, the policy adheres to Chapter 2256 of the Texas Government Code, The Public Funds Investment Act, and the statutory requirements of Local Government Code 116.112.

Authority funds available for investment under the County's investment program as of February 28, 2009 totaled $1,091.5 million with investment earnings of $41 million for the fiscal year. The average yield and maturity of such investments were 2.73% and 703 days**.**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). 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 employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2009 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post employment benefits can be found in Notes 9 and 10 of the notes to the financial statements.

Major Initiatives

The Authority continues moving forward on projects authorized by Commissioners Court including Segment E of the Grand Parkway, Beltway 8 East, and replacement of the existing toll collection system. Currently, the Authority has sufficient available cash to fund projects previously approved by Commissioners Court.

ACKNOWLEDGMENTS

I wish to express my gratitude to the Commissioners Court, District Judges, and other County and District officials and departments for their interest and support in planning and conducting the financial affairs of the Authority in a responsible and professional manner.

REQUEST FOR INFORMATION

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

Barbara J. Schott, C.P.A.
County Auditor

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

County Judge Ed Emmett
and Members of Commissioners Court of Harris County, Texas

We have audited the accompanying statement of net assets of the Toll Road Authority Enterprise Fund of Harris County, Texas (the "Toll Road Authority") as of February 28, 2009 and the related statements of revenue, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County, Texas (the "County"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Toll Road Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to financial statements, the basic financial statements referred to above present only the financial position and results of operation of the Toll Road Authority and are not intended to present the financial position and results of operations of the County, in conformity with accounting principles generally accepted in United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Toll Road Authority as of February 28, 2009, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis, the Schedule of Funding Progress – OPEB, and the Texas County and District Retirement System – Schedule of Funding Progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the method of measurement and presentation of supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Toll Road Authority's basic financial statements. The introductory section and other information listed in the table of contents is presented for purpose of additional analysis and is not required part of the basic financial statements. This supplementary information is also the responsibility of County's management. The introductory section and other information is not subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion on it.

Deloitte & Touche LLP

July 27, 2009

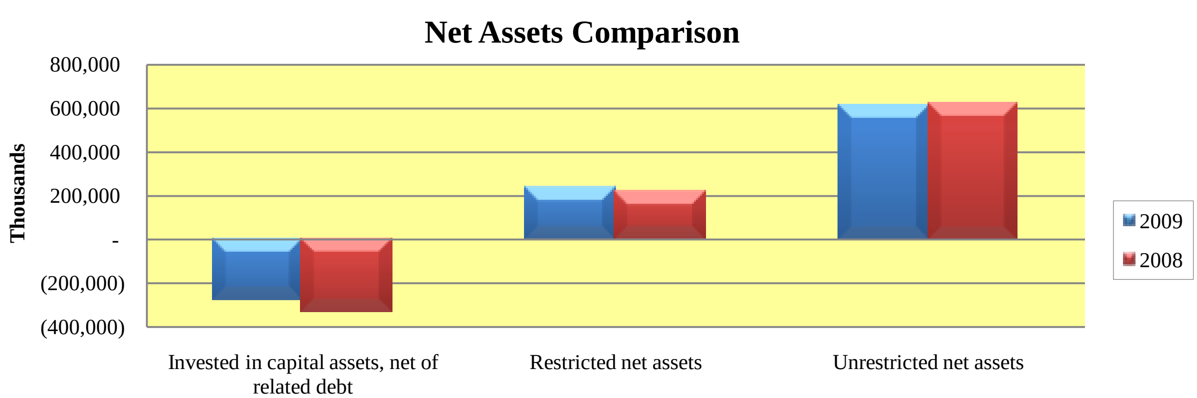
This section of the Toll Road Enterprise Fund of Harris County financial statements presents management's discussion and analysis ("MD&A") of the financial performance of the Harris County Toll Road Authority ("Authority") during the fiscal year ended February 28, 2009.

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

FINANCIAL HIGHLIGHTS

- During fiscal year 2009, the Authority issued $400,715,000 in revenue and refunding bonds with related debt service financed through toll revenues. Note 7 to the financial statements provides further details on the new debt issuances.

- Total net assets are comprised of the following:
  (1) Invested in capital assets, net of related debt, a deficit of $273,939,555, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net assets increased $60,379,532 from the previous year.
  (2) Net assets of $231,833,576 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets increased by $18,393,368 from the prior year due to an increase in the debt service reserve.
  (3) Unrestricted net assets of $607,922,264 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets decreased $10,241,047 from the previous year.



OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found beginning on page 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The total net assets of the Authority exceeded liabilities at February 28, 2009 by $565,816,285 and $497,284,432 for fiscal year ended 2008. Net assets increased primarily due to an increase in new proceeds from debt and an increase in Toll Revenues.

Harris County Toll Road Enterprise Fund
Condensed Statement of Net Assets
February 28, 2009 and February 29, 2008
(Amounts in thousands)

	2009	2008
Current restricted assets	$ 1,121,001	$ 898,830
Capital assets, net	1,798,621	1,772,335
Other non-current assets	80,588	54,499
Total assets	3,000,210	2,725,664
Current liabilities - restricted	147,538	129,237
Non-current liabilities	2,286,856	2,099,143
Total liabilities	2,434,394	2,228,380
Net assets:		
Invested in capital assets, net of related debt	(273,940)	(334,319)
Restricted net assets	231,834	213,440
Unrestricted net assets	607,922	618,163
Total net assets	$ 565,816	$ 497,284

The largest portion of the Authority's current fiscal year net assets is unrestricted net assets, which are used for the ongoing operations of the Authority.

Another portion of the Authority's current fiscal year net assets reflects its investments in capital assets (e.g.: land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was an increase in related debt of $167,719,911, an increase in unspent proceeds of $201,813,741, while capital assets increased by $26,285,702, causing an overall increase in capital assets net of related debt of $60,379,532. Although the Authority'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.

The remaining balance of the Authority's current fiscal year net assets represents restricted net assets, which are subject to external restrictions on how they may be used. The Authority's restricted net assets are for capital projects, debt service and other purposes. The restricted net assets for other purposes may be used as follows: (1) payment or provision for payment of senior indebtedness payable as a first charge on revenues; (2) to pay project expenses; (3) to establish and maintain an operating reserve equal to two months' project expenses; (4) to pay any senior indebtedness not a first charge on the revenues; (5) to make transfer to debt service fund as required by the tax indenture; and (6) the balance, if any, shall be transferred to the surplus fund.

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

Harris County Toll Road Enterprise Fund
Statement of Activities
(In Thousands)
For the Years Ended February 28, 2009 and February 29, 2008

	2009	2008
Revenues:		
Operating revenues:		
Toll revenue	$ 442,015	$ 428,867
Intergovernmental revenue	994	1,286
Nonoperating Revenues:		
Investment income	41,253	49,023
Lease revenue	463	488
Miscellaneous revenue	599	4,266
Gain on disposal of capital assets	-	140
Total revenues	485,324	484,070
Expenses:		
Operating Expenses:		
Salaries	53,516	46,511
Materials and supplies	8,072	11,651
Services and fees	51,940	30,121
Utilities	2,866	3,297
Transportation and travel	1,076	867
Depreciation	67,035	62,889
Nonoperating Expenses:		
Interest expense	106,674	103,326
Amortization expense	14,555	14,310
Loss on disposal of capital assets	19	-
Total expenses	305,753	272,972
Income before contributions and transfers	179,571	211,098
Contributions	9,198	3,059
Transfers in	-	22
Transfers out	(120,237)	(120,480)
Change in net assets	68,532	93,699
Net assets - beginning	497,284	403,585
Net assets - ending	$ 565,816	$ 497,284

Revenues and Contribution

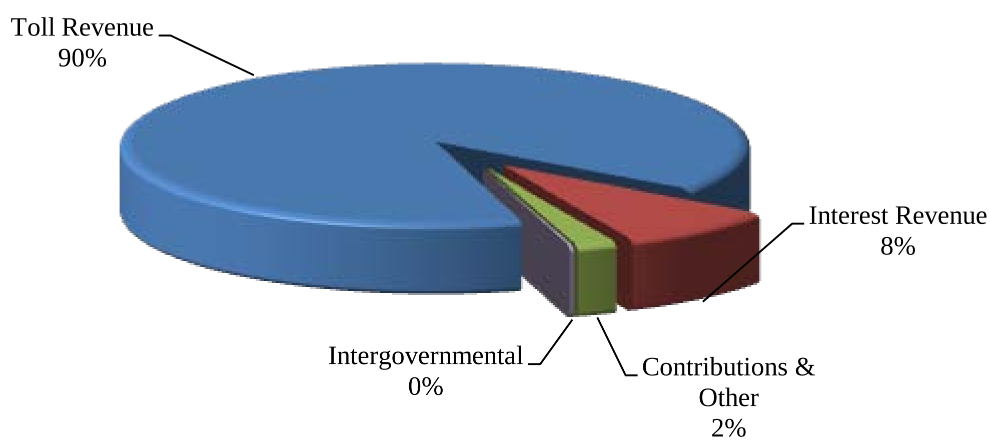
Total revenues and contributions for fiscal year 2009 were $494,522,837, an increase of $7,392,870 in revenues and contribution from fiscal year 2008 of $487,129,967.

The largest revenue source is toll revenue of $442,015,417 or 90% of total revenues and contributions. This revenue category increased $13,147,886 from fiscal year 2008. This is primarily due to an increase in the toll rate on September 3, 2007. The biggest increases were noted at Sam Houston North ($2.8M) and Sam Houston South ($2.4M).

Contributions and other revenues totaled $11,254,398 or 2% of total revenues and contributions. Contributions of $9,197,722 for fiscal year 2009 increased $6,138,285 compared to fiscal year 2008 contributions of $3,059,437. Other revenue consists of lease revenue of $462,981 and miscellaneous revenue of $599,298 (primarily expense reimbursements). Intergovernmental revenue of $994,397 is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2009 totaled $41,253,022 and comprises 8% of total revenues and contributions. This revenue source decreased $7,770,444 from fiscal year 2008 of $49,023,466. The increase is attributable to lower interest rates.

REVENUES BY SOURCE
Year ended February 28, 2009



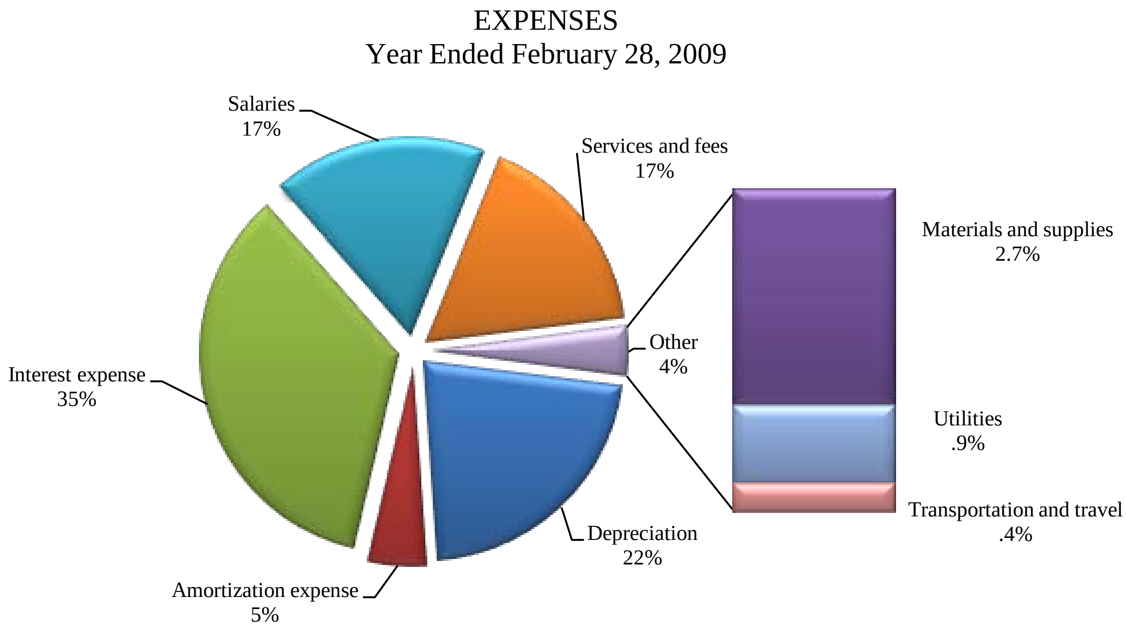
Expenses

For fiscal year ended February 28, 2009, expenses totaled $305,753,503, and increased $32,781,738 from fiscal year 2008 of $272,971,765.

Interest expense of $106,674,114 is the Authority's largest expense category and is 35% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries of $53,515,886 or 17% of total expenses increased by $7,004,997 from fiscal year 2008, due to 79 positions added in the current year. Services and fees of $51,940,426 or 17% or total expenses increased by $21,819,314 primarily due to an increase in maintenance on roadways and facilities due to aging infrastructure, additional constable support, and banking fees related to credit card transactions.

The remaining 31% of expenses consisted of depreciation (22%) and amortization expense (5%) and other expenses (4%) and consists of outlays relative to materials and supplies, utilities, and transportation and travel. All of these expense categories are necessary for the operation of the toll road.



Transfers

Transfers consisted of transfers out of $120,237,481. The largest component of transfers out was a $120 million allocation to fund non-toll County connectivity or enhancement projects. The remaining $200,000 was for payments to the Harris County Radio Operations fund and $37,481 was for a capital asset transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets, net of accumulated depreciation as of February 28, 2009 and February 28, 2008, amounted to $1,798,620,767 and $1,772,335,065, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority's capital assets, net of accumulated depreciation increased $26,285,702 from fiscal year 2008.

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

	Balance February 28, 2009	Balance February 29, 2008
Land	$ 18,293,567	$ 9,936,262
Right-of-way	264,014,983	256,788,317
Intangible assets	237,500,000	237,500,000
Construction in progress	221,083,075	191,211,723
System integration in progress	8,697,872	5,751,963
Land improvements	2,741,917	2,741,917
Infrastructure	1,735,963,226	1,735,963,226
Other tangible assets	21,181,809	20,248,222
Buildings	20,384,030	9,595,649
Equipment	47,876,773	14,709,293
	2,577,737,252	2,484,446,572
Less: Accumulated depreciation	(779,116,485)	(712,111,507)
Totals	$ 1,798,620,767	$ 1,772,335,065

Long-term debt

At the end of the fiscal year, the balance of the Authority's total outstanding debt (bonds, net of deferred amount on refunding) was $2,372,124,607. Refer to Note 7 to the financial statements for further detail on the Authority's long-term debt.

	Outstanding at February 28, 2009	Outstanding at February 29, 2008
Bonds payable	$ 2,363,579,795	$ 2,097,280,792
Commercial paper payable	-	67,000,000
Compensatory time payable	1,299,289	980,003
OPEB obligation	7,245,523	3,664,533
Totals	$ 2,372,124,607	$ 2,168,925,328

The Authority has a continuing goal to upgrade the Authority's debt rating. The bond rating services of Moody's Investor's Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the Authority long term bond ratings of Aa1, AAA, and AA+, respectively, for the Unlimited Tax and Subordinate Lien Bonds and Aa3, AA-, and AA-, respectively, for the Senior Lien Revenue Bonds.

See Note 10 to the financial statements for further information on the County's OPEB obligation.

ECONOMIC FACTORS

- Additional non-toll highways, roads and streets, or improvements and expansions to existing free highways, roads and streets that may be constructed by the County, TxDOT, the City of Houston or other public entities may adversely affect the usage of the toll road. TxDOT continues to improve and expand IH-45 and US 59. In particular, IH-45 offers free highway competition to the Hardy Toll Road. Improvements over the past few years to IH-45 from its interchange with the Sam Houston Tollway-West/North Section/Sam Houston Parkway to FM 1960 have enhanced mobility along that segment of the highway.

- Metro, a regional transit authority, currently operates an extensive bus fleet serving Harris County and all of the City of Houston. Metro offers "park-and-ride" services, which include free automobile parking at suburban Metro lots and bus service to and from Houston's central business district in competition with the Hardy Toll Road. Metro's "park-and-ride" service from its most distant lot near the intersection of IH-45 and FM 1960 to downtown Houston, utilizing IH-45's free "authorized vehicle lane", competes for a portion of the traffic that could otherwise be expected to utilize the Hardy Toll Road.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002, telephone (713)755-6516, or visit the County's website at www.co.harris.tx.us.

BASIC FINANCIAL STATEMENTS

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2009

ASSETS	
Current restricted assets:	
Cash and cash equivalents	$ 95,722,020
Investments	965,069,136
Investments, held as collateral by others	40,000,000
Receivables, net	503,002
Accrued interest receivable	5,662,196
Other receivables, net	7,639,150
Due from primary government	8,412
Inventories	4,285,520
Prepaids and other assets	2,111,860
Total current restricted assets	1,121,001,296
Non-current assets:	
Advances to primary government	52,346,403
Lease receivable	3,215,599
Notes receivable	1,265,677
Capital Assets:	
Land and construction in progress	512,089,497
License agreement	237,500,000
Other capital assets, net of depreciation	1,049,031,270
Deferred charges, net of amortization	23,760,332
Total non-current assets	1,879,208,778
Total assets	3,000,210,074
LIABILITIES	
Current liabilities - payable from restricted assets:	
Vouchers payable	22,933,893
Accrued payroll and compensated absences	4,392,460
Retainage payable	1,994,839
Customer deposits	1,610,832
Due to primary government	206,421
Due to other units	1,183,746
Deferred revenue	30,622,621
Current portion of long-term liabilities	84,593,046
Total current liabilities	147,537,858
Non-current liabilities:	
Bonds payable	2,278,986,749
Compensatory time payable	623,659
OPEB obligation	7,245,523
Total non-current liabilities	2,286,855,931
Total liabilities	2,434,393,789
NET ASSETS	
Invested in capital assets, net of related debt	(273,939,555)
Restricted for capital projects	44,747,841
Restricted for debt service	187,085,735
Unrestricted	607,922,264
Total net assets	$ 565,816,285

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2009

OPERATING REVENUE	
Toll revenue	$ 442,015,417
Intergovernmental	994,397
Total operating revenue	443,009,814
OPERATING EXPENSES	
Salaries	53,515,886
Materials and supplies	8,072,061
Services and fees	51,940,426
Utilities	2,866,487
Transportation and travel	1,075,839
Depreciation	67,034,586
Total operating expenses	184,505,285
Operating income	258,504,529
NONOPERATING REVENUES	
Investment income	41,253,022
Lease income	462,981
Miscellaneous income	599,298
Total nonoperating revenues	42,315,301
NONOPERATING EXPENSES	
Interest expense	106,674,114
Amortization expense	14,555,334
Loss on disposal of capital assets	18,770
Total nonoperating expenses	121,248,218
Income before contributions and transfers	179,571,612
Contributions	9,197,722
Transfers out	(120,237,481)
Change in net assets	68,531,853
Net assets, beginning of year	497,284,432
Net assets, end of year	$ 565,816,285

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tolls	$ 448,807,789
Payments to employees	(49,048,348)
Payments to vendors	(63,375,545)
Receipts from miscellaneous reimbursements	599,298
Net cash provided by operating activities	336,983,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Internal payments to other funds	(2,076,454)
Transfers to other funds	(120,237,481)
Net cash used for noncapital financing activities	(122,313,935)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from lease of capital assets	462,981
Purchases of capital assets	(84,187,789)
Proceeds from sale of capital assets	46,512
Principal and escrow paid on capital debt	(232,895,000)
Interest paid on capital debt	(111,763,717)
Proceeds from capital debt	422,235,878
Bond issuance cost	(931,822)
Net cash used for capital and related financing activities	(7,032,957)
CASH FLOWS FROM INVESTING ACTIVITIES	
Internal payments to other funds	(25,362,503)
Purchase of investments	(1,267,665,898)
Proceeds from sale and maturity of investments	957,808,767
Interest received	35,734,638
Net cash used for investing activities	(299,484,996)
Net change in cash and cash equivalents	(91,848,694)
Cash and cash equivalents, beginning	187,570,714
Cash and cash equivalents, ending	$ 95,722,020
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 258,504,529
Adjustments to operations:	
Depreciation	67,034,586
Other nonoperating revenues (expenses)	599,298
Changes in assets and liabilities:	
Receivables, net	2,171,084
Notes and leases receivable	699,832
Prepaids and other assets	747,923
Inventories	(3,078,927)
Vouchers payable and accrued liabilities	5,107,023
Retainage payable	(441,294)
Due to other units	75,468
Other liabilities	2,316,755
Deferred revenue	2,927,059
Compensatory time payable	319,858
Net cash provided by operating activities	$ 336,983,194
Noncash operating, capital and related financing and investing activities:	
Capital contribution received from other governments	$ 9,197,722
Increase in the fair market value of investments	3,850,054

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Implementation of New Standards - In the current year, the Authority implemented the following standards:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), establishes accounting standards for pollution remediation obligations regarding existing pollution areas. Implementation of GASB 49 did not have an effect on the Authority's statements or note disclosure.

GASB Statement No. 50, *Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"), more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements. Implementation of GASB 50 is reflected in the note disclosure (Notes 9 and 10).

Basis of Presentation and Measurement Focus- The accompanying basic financial statements have been prepared on the full accrual basis of accounting as prescribed by the GASB. Full accrual accounting uses a flow of economic resources measurement focus. Under this measurement focus, the Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority presents its financial statements in accordance with GASB 34 guidance for governments engaged in business-type activities. Accordingly, the basic financial statements of the Authority consist of Management's Discussion and Analysis ("MD&A"), Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets, Statement of Cash Flows, and Notes to the Financial Statements.

<u>Enterprise Fund</u> – The financial statements of the Authority are presented on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recognized in the period earned. The Authority's operating revenues are derived from charges to users of the Toll Roads in the County. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources to the extent they are needed.

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

Deposits and Investments – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of 90 days or less from date of purchase. All investments are recorded at fair value based upon quoted market prices as of the Authority's fiscal year end, with the difference between the purchase price and market price being recorded as investment income.

Restricted Assets – Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended February 28, 2009, the Authority was in compliance with these covenants.

In the financial statements, restricted net assets are reported for amounts that are externally restricted by 1) creditors (eg. bond covenants), grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provision or enabling legislation.

Inventories – EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 28, 2009 multiplied by the cost per tag type.

Capital Assets – Capital assets include land, construction in progress, intangibles, buildings, equipment and infrastructure that are used in the Authority's operations and benefit more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the Authority include roads, bridges and right-of-way.

Capital assets of the Authority are defined as assets with individual costs of $5,000 or more and estimated useful lives in excess of one year. Exceptions to the $5,000 capitalization threshold are as follows: all land is capitalized, regardless of historical cost; the threshold for capitalizing buildings is $100,000 and the threshold for infrastructure ranges from $25,000 to $250,000, depending on the asset.

All capital assets are stated at historical cost or estimated fair market value at the date of purchase. Donated fixed assets are stated at their estimated fair market value on the date donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from 3 to 45 years. Roads are depreciated over a 30-year useful life. Equipment is depreciated over 3 to 20 years, depending on the type. Buildings are depreciated over 45 years.

The Authority capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. All interest expense, interest earnings and the amortization of related bond costs were capitalized until September 1987 when the first of four sections of the Toll Road were opened for operations. Prior to fiscal year 2001, net interest and other bond costs have been capitalized based on the percentage of miles of the uncompleted sections to the total miles of the project. Since fiscal year 2001, interest had been capitalized based on the weighted average accumulated expenses multiplied by the weighted average interest rate. Such capitalization increased the total cost of assets constructed by the Toll Road Project by $901,145 during fiscal year 2009.

Contributions – Federal, State or other government contributions to the Toll Road project are recognized based on the project percentage of completion.

Deferred Charges **-** Deferred charges consist of bond issuance costs that are amortized on a straight-line basis over the term of the bonds.

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

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

The Authority is covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical and indemnity payments. Claims adjusting services are provided by a third-party administrative claims adjusting service. Interfund premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The County has excess insurance coverage for workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2009 was $850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

Through the County, the Authority provides medical, dental, vision and basic life and disability insurance to eligible employees. The Authority pays the full cost of employee coverage and 50% of the cost of dependent premiums. The disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The Authority's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverages, are paid into the County's Health Insurance Management Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

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

***Compensated Absences* -** Accumulated compensatory leave, vacation and sick leave are recorded as an expense and liability as the benefit accrues for the employee.

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 480 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

Nonexempt employees earn compensatory time at one-and-a-half times their full pay times the excess of 40 hours per week worked. The compensatory time balance for nonexempt employees may not exceed 240 hours. Hours in excess of the 240-hour maximum must be paid to the nonexempt employee at the rate of one and a half times the regular rate. Upon termination, nonexempt employees will be paid for compensatory time at their wage rate at time of termination. Exempt employees earn compensatory time at their regular rate of pay for hours worked 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 the time of termination. Compensatory time is carried forward indefinitely.

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

Bond Refunding Losses **-** The difference between the reacquisition price and the net carrying amount of refunded debt is deferred and amortized in a manner that is systematic and rational over the remaining life of the old or new debt, whichever is shorter.

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of $100,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2009, the carrying amount of the Authority's demand and time deposits was $5,872,272 and the balance per various financial institutions was $0. The Authority’s deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the County or its agent in the County’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 Harris County 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 Harris County Investment policy is reviewed and approved annually by Commissioners Court. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group’s investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

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

1. Obligations of the U.S. or its agencies and instrumentalities.

2. Direct obligations of the State of Texas 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, with a stated final maturity of 10 years or less.
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the U.S.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
6. Certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are guaranteed or insured by the FDIC or secured by authorized investments that have a market value of not less than the principal amount of the certificates.
7. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of $1 per share as authorized by the Public Funds Investment Act.
10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
11. Public Funds Investment Pools as authorized by the Investment Act.

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value. The following is a summary of the Authority's cash and investments at February 28, 2009.

	Totals
Cash and Cash Equivalents	$ 95,722,020
Investments	1,005,069,136
Total Cash & Investments	1,100,791,156

The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2009, 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	$ 96,570,313	8.82%	$ 95,000,000	0.2215	AAA/Aaa
FHLB	127,406,875	11.64%	127,000,000	0.0529	AAA/Aaa
FHLMC	228,384,066	20.86%	228,125,000	0.4186	AAA/Aaa
FNMA	378,794,495	34.59%	377,763,000	0.5791	AAA/Aaa
Commercial Paper					
AGFC	23,803,520	2.17%	24,000,000	0.0371	A-1/P-1
AIG	1,590,693	0.14%	1,601,000	0.0003	A-1+/P-1

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Local Governments					
Austin TX EL	1,134,851	0.10%	1,120,000	0.0018	AAA/Aa2
Cuyahoga Fall	2,608,918	0.24%	2,600,000	0.0012	AAA/Aaa
College Station, TX	1,041,834	0.10%	1,115,000	0.0109	A+/A1
Dallas TX WTR	3,443,987	0.32%	3,315,000	0.0301	AAA/Aa2
Denton Cnty TX	1,135,145	0.10%	1,100,000	0.0112	AAA/Aa1
Ellis Cnty TX	2,544,830	0.23%	2,640,000	0.0259	AA-/Aa3
Frisco Tex GO	5,392,460	0.49%	5,165,000	0.0446	AA/Aa2
Gainesville, FL	5,988,618	0.55%	5,900,000	0.0139	AAA/Aa2
Galveston Cnty, TX	2,597,233	0.24%	2,775,000	0.0252	AA/Aa2
Grayson Cnty, TX	2,960,200	0.27%	3,040,000	0.0303	AAA/Aa3
Harris Cnty, TX Hospital District	22,072,818	2.02%	22,370,000	0.0621	A/A1
Houston Tex ISD	5,035,700	0.46%	5,000,000	0.0661	AAA/Aaa
Houston Tex Util Sys Rev	4,517,460	0.41%	4,500,000	0.0516	AAA/Aa2
Houston Tex Util Sys Rev Adj	48,425,000	4.42%	48,425,000	0.0027	AAA/Aa3
Kent Wash G/O	946,622	0.09%	915,000	0.0015	AA-/A1
Lewisville, TX	1,247,393	0.11%	1,225,000	0.0126	AAA/Aaa
Mansfield TX	4,118,080	0.38%	4,000,000	0.0471	AAA/Aaa
New York St University	3,142,790	0.29%	3,070,000	0.0052	AAA/AA-
North TX TWY	3,584,035	0.33%	3,500,000	0.0454	AAA/Aa2
Northwest TX	2,048,680	0.19%	2,000,000	0.0241	AAA/Aaa
Ohio St GO, BD	2,520,130	0.23%	2,505,000	0.0004	AA+/Aa1
Pearland, Texas	1,032,150	0.09%	1,075,000	0.0105	AAA/Aa3
San Diego County	4,643,417	0.42%	4,610,000	0.0036	AA+/Aa3
San Marcos, TX	1,497,450	0.14%	1,500,000	0.0155	AAA/Aaa
Travis Cnty, TX	1,499,567	0.14%	1,505,000	0.0164	AAA/Aaa
Weatherford, TX	2,845,425	0.26%	2,825,000	0.0231	AA-/A2
Williamson, CO	2,706,254	0.25%	2,665,000	0.0265	AAA/Aa2
Wisconsin St	5,623,875	0.51%	5,590,000	0.0060	AAA/Aa3
Money Market Funds					
Fidelity Institutional Treasury	81,588,517	7.45%	81,588,517	N/A	AAAm/Aaa
Fidelity Institutional-Tax Exempt	10,425,483	0.95%	10,425,483	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	1,094,918,884	100.00%	$ 1,091,553,000	1.9250	
Demand and Time Deposits	5,872,272				
Total Cash & Investments	$ 1,100,791,156				

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 25% 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 24 months. 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 two years. As of February 28, 2009, the Authority was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to 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 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated Aaa by Moody's Investor Rating Service.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2009, all of the Authority's investments are held in the County's name.

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

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the Harris County financial statements. The two investment strategies employed by Harris County 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. Additionally, the Investment Policy specifies average investment durations for each fund type. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Toll Road Project Funds	Matching	1,080	$ 645,645,000	879
Toll Road Debt Service	Matching	1,080	123,679,000	154
Toll Road Renewal/Replacement	Matching	1,800	139,900,000	867
Toll Road Bond Reserve	Matching	Maturity of the bonds	56,315,000	5,749
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	34,000,000	1,302
Money Market Mutual Funds	N/A	N/A	92,014,000	N/A
			$ 1,091,553,000	

3. OTHER RECEIVABLES

Other receivables as of February 28, 2009 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of $7,639,150 is reported net of allowance for doubtful accounts of $46,904,636.

Proprietary funds report deferred revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Authority reported $30,622,621 in deferred revenues for unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 28, 2009 are comprised of the following:

	Outstanding March 1, 2008	Issued	Receipts	Outstanding February 28, 2009
Sam Houston Race Park	$ 128,882	$ -	$ (7,581)	$ 121,301
Uptown Houston	1,388,191	-	(243,815)	1,144,376
Notes receivable	$ 1,517,073	$ -	$ (251,396)	$ 1,265,677

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 28, 2009 are comprised of the following:

Prepaid surety expense	$ 560,215
Prepaid office expenses	551,645
Advance funding for Beltway 8 project	1,000,000
Total	$ 2,111,860

Advance payments were given to TxDOT for the Authority’s funding participation for the Beltway 8 project. These advances are amortized and transferred to construction in progress based on the project percentage of completion.

6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2009 was as follows:

	Balance March 1, 2008	Additions	Deletions	Transfers	Balance February 28, 2009
Land	$ 9,936,262	$ 8,357,305	$ -	$ -	$ 18,293,567
Right of way	256,788,317	7,226,666	-	-	264,014,983
License agreement	237,500,000	-	-	-	237,500,000
Construction in progress	191,211,723	67,039,311	-	(37,167,959)	221,083,075
System Integration in progress	5,751,963	2,945,909	-	-	8,697,872
Total capital assets not depreciated	701,188,265	85,569,191	-	(37,167,959)	749,589,497
Land improvements	2,741,917	-	-	-	2,741,917
Infrastructure	1,735,963,226	-	-	-	1,735,963,226
Other tangible assets	20,248,222	933,587	-	-	21,181,809
Buildings	9,595,649	210,162	-	10,578,219	20,384,030
Equipment	14,709,293	6,672,571	(83,145)	26,578,054	47,876,773
	1,783,258,307	7,816,320	(83,145)	37,156,273	1,828,147,755
Less accumulated depreciation for:					
Land improvements	(280,283)	(132,220)	-	-	(412,503)
Infrastructure	(696,432,562)	(58,147,526)	-	-	(754,580,088)
Other tangible assets	(3,909,644)	(3,371,161)	-	-	(7,280,805)
Buildings	(2,049,222)	(202,197)	-	-	(2,251,419)
Equipment	(9,439,796)	(5,181,482)	55,403	(25,795)	(14,591,670)
	(712,111,507)	(67,034,586)	55,403	(25,795)	(779,116,485)
Total capital assets being depreciated, net	1,071,146,800	(59,218,266)	(27,742)	37,130,478	1,049,031,270
Total capital assets, net	$ 1,772,335,065	$ 26,350,925	$ (27,742)	$ (37,481)	$ 1,798,620,767

The $37,481 balance in the transfers column, is due to assets that were transferred to Harris County funds.

Intangible Assets

On December 17, 2002, the Commissioners Court authorized a tri-party agreement among Harris County (acting through the Harris County Toll Road Authority), Texas Department of Transportation and Federal Highway Administration to participate in the reconstruction of a portion of the IH10 Katy Freeway. Under this agreement, the Authority funded $237.5 million for the license to the real property within the limits of and for the right to operate the Toll Facility; and paid an additional $12.5 million for the design and construction, and other allowable expenses related to the Toll Facility. Toll Revenues from the operation of the Toll Facility will be collected by the Authority until the County is paid in full. Amortization of this amount will begin when the project is completed and revenues are being collected (April 2009). The amortization will be based on revenues received. The Toll Facility may revert to the State when the County has been fully paid the reimbursement from revenue or upon payment by the State to the County of an amount equal to the difference between the total amount of the reimbursement and the actual amount paid to the County as of the date of such reversion.

7. LONG-TERM DEBT

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

Changes in the Authority's Long-Term Debt for fiscal year 2008-2009 were as follows:

	Outstanding March 1, 2008	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2009	Due Within One Year
Senior Lien Revenue Bonds	$ 1,401,290,000	$ 324,475,000	$ (26,460,000)	$ 1,699,305,000	$ 28,120,000
Tax Bonds	677,165,665	76,240,000	(87,835,665)	665,570,000	41,540,000
Total Bond Principal	2,078,455,665	400,715,000	(114,295,665)	2,364,875,000	69,660,000
Unamortized Premium, Rev. Series 2002	1,737,400	-	(1,062,821)	674,579	-
Unamortized Premium, Rev. Series 2004A	5,735,207	-	(166,844)	5,568,363	-
Unamortized Premium, Rev. Series 2004B	26,416,909	-	(3,345,843)	23,071,066	-
Unamortized Discount, Rev. Series 2005A	(204,719)	-	5,915	(198,804)	-
Unamortized Premium, Rev. Series 2006A	1,359,450	-	(75,909)	1,283,541	-
Unamortized Premium, Rev. Series 2007A	9,539,565	-	(737,453)	8,802,112	-
Unamortized Discount, Rev. Series 2008B	-	(2,258,818)	(131,995)	(2,390,813)	-
Unamortized Premium, Tax Series 1991	720,323	-	(720,323)	-	-
Unamortized Premium, Tax Series 1992A	256,320	-	(256,320)	-	-
Unamortized Premium, Tax Series 1992B	84,946	-	(84,946)	-	-
Unamortized Premium, Tax Series 1994A	1,195,516	-	(379,079)	816,437	-
Unamortized Premium, Tax Series 1995A	14,592,217	-	(3,951,687)	10,640,530	-
Unamortized Premium, Tax Series 1997	3,728,662	-	(812,776)	2,915,886	-
Unamortized Premium, Tax Series 2001	799,714	-	(184,342)	615,372	-
Unamortized Premium, Tax Series 2002	1,503,589	-	(215,807)	1,287,782	-
Unamortized Discount, Tax Series 2003	(108,473)	-	502,452	393,979	-
Unamortized Premium, Tax Series 2007C	24,736,917	-	(1,373,302)	23,363,615	-
Unamortized Premium, Tax Series 2008A	-	2,947,801	(102,736)	2,845,065	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1991	15,994,366	420,634	(16,415,000)	-	-
Unlimited Tax Series 1992A and 1992B	10,127,396	666,292	(10,793,688)	-	-
Unlimited Tax Series 1995A	17,202,467	6,059,357	-	23,261,824	8,335,907
Unlimited Tax Series 1997	6,022,205	1,341,073	(1,190,000)	6,173,278	1,545,861
Deferred Amount on Refunding	(127,389,470)	(1,216,546)	13,135,721	(115,470,295)	-
Accrued Interest Payable	4,774,620	100,157,018	(99,880,360)	5,051,278	5,051,278
Total Bonds Payable	2,097,280,792	508,831,811	(242,532,808)	2,363,579,795	84,593,046
Commercial Paper Payable	67,000,000	33,350,000	(100,350,000)	-	-
Compensatory Time Payable	980,003	995,488	(676,202)	1,299,289	675,630
OPEB Obligation	3,664,533	3,580,990	-	7,245,523	-
Totals - Toll Road Fund Debt	$ 2,168,925,328	$ 546,758,289	$ (343,559,010)	$ 2,372,124,607	$ 85,268,676

A. Outstanding Bonded Debt – February 28, 2009 – Pertinent Information by Issue

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2009
Senior Lien Revenue Bonds					
Refunding Series 2002	$ 397,520,000	5.00-5.375	2002	2003-2032	$ 217,065,000
Refunding Series 2004A	168,715,000	4.50-5.00	2004	2022-2034	168,715,000
Refunding Series 2004B	478,270,000	2.50-5.00	2004	2005-2022	411,135,000
Refunding Series 2005A	207,765,000	4.50-5.25	2005	2026-2035	22,740,000
Refunding Series 2006A	135,530,000	4.50-5.00	2006	2006-2036	135,530,000
Refunding Series 2007A	275,340,000	4.00-5.00	2007	2008-2033	274,075,000
Refunding Series 2007B	145,570,000	Floating	2007	2034-2035	145,570,000
Refunding Series 2008B	324,475,000	4.625-5.25	2008	2012-2047	324,475,000
Total Principal Senior Lien Revenue Bonds					1,699,305,000
Unamortized Premiums and Discounts					36,810,044
Total Senior Lien Revenue Bonds					$ 1,736,115,044

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2009
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1994 A	$ 59,925,000	6.50-8.00	1994	2008-2024	$ 51,610,000
Refunding Series 1995 A - CAB	1,500,000	5.80-6.05	1995	2002-2012	500,000
Refunding Series 1997	150,395,000	5.00-5.125	1997	2014-2024	26,005,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	750,000
Refunding Series 2001	120,740,000	6.00	2001	2009-2014	120,740,000
Refunding Series 2002	42,260,000	4.00-5.25	2002	2009-2015	42,260,000
Refunding Series 2003	321,500,000	3.50-5.00	2003	2009-2033	25,720,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	321,745,000
Refunding Series 2008A	76,240,000	3.25-5.00	2008	2011-2016	76,240,000
Total Tax Bonds					665,570,000
Unamortized Premiums and Discounts					42,878,665
Accretion of Discount - Capital Appreciation Bonds					29,435,102
Total Tax Bonds					$ 737,883,767

B. Covenants and Conditions

The Senior Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds. The Authority has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 4.90 as of February 28, 2009.

C. Debt Service Requirements

Total interest expense was $106,674,114 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal 2/28/2009	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2010	$ 69,660,000	$ 9,881,768	$ 79,541,768	$ 128,228,181	$ 207,769,949
2011	77,745,000	7,542,765	85,287,765	123,906,047	209,193,812
2012	81,880,000	5,829,131	87,709,131	119,445,803	207,154,934
2013	90,890,000	4,728,241	95,618,241	114,830,941	210,449,182
2014	104,135,000	1,453,197	105,588,197	102,239,187	207,827,384
2015-2019	472,330,000	-	472,330,000	415,723,205	888,053,205
2020-2024	394,305,000	-	394,305,000	305,890,303	700,195,303
2025-2029	302,305,000	-	302,305,000	226,869,180	529,174,180
2030-2034	394,140,000	-	394,140,000	141,645,925	535,785,925
2035-2039	235,945,000	-	235,945,000	53,043,524	288,988,524
2040-2044	70,350,000	-	70,350,000	28,290,619	98,640,619
2045-2049	71,190,000	-	71,190,000	7,720,388	78,910,388
Total	$ 2,364,875,000	$ 29,435,102	$ 2,394,310,102	$ 1,767,833,303	$ 4,162,143,405

D. Unissued Authorized Bonds

In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County's traffic problems by authorizing the County to issue up to $900,000,000 of bonds secured by a pledged of its unlimited ad valorem taxing power. As of February 28, 2009, the unissued authorized bonds for the toll road project are $17,673,000.

E. Defeasance of Debt

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 28, 2009, the outstanding principal balance of these defeased bonds was $2,103,625,000.

F. Debt Issuances

On August 14, 2008, the County issued $324,475,000 in Toll Road Senior Lien Revenue and Refunding Bonds, Series 2008B to refund a portion of the County's outstanding Toll Road Senior Lien Revenue Commercial Paper Notes, Series E, to finance the construction of various toll projects, and to pay costs of issuance and refunding. The annual interest rates range from 4.625% to 5.25%. The issuance had a discount of $2,258,818. Interest accrues semiannually and the bonds mature in fiscal year 2048.

On December 30, 2008, the County issued $76,240,000 in Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2008A to refund a portion of the County's outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 2003 and to pay costs of issuance. The annual interest rates range from 3.25% to 5.00%. Interest accrues semiannually and the bonds mature in fiscal year 2017. The issuance had a premium of $2,947,801. The refunding resulted in a decrease in cash flow requirements of $1,230,614 and had an economic gain of $1,285,064.

G. Commercial Paper

In addition to the outstanding long-term debt of the Toll Road Authority ("Toll Road"), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Notes") in an aggregate principal amount not to exceed $200 million outstanding at any one time. As of February 28, 2009, the Toll Road has no outstanding commercial paper.

The purpose of the Series E Notes is to provide funding for costs of acquiring, constructing, operating and maintaining, and improving Toll Road Project components, as well as to fund reserves, pay interest during construction, refinance, refund, and renew the notes themselves, and fund issuance costs.

The Notes program will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. Interest on the Notes is payable on an actual/365 or 366-day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowed by law, currently 15%. A minimum purchase of $100,000 aggregate principal amount and integral multiples of $1,000 in excess thereof is required.

The Toll Road entered into a Revolving Credit Agreement as of October 1, 2001 with Dexia Credit Local, whereby Dexia has agreed to advance up to $200 million to the Toll Road to pay the principal of any or all maturing Series E Notes as necessary for a period through October 24, 2010, which is the date of expiration. For this agreement, the County will be assessed a fee of .35% per annum on the aggregate amount of the commitment. The Lender agrees that it will on the first to occur of the Revolving Credit Maturity Date or the 181st day following the date on which any Revolving Credit Loan is made, on the terms and conditions set forth in the Agreement, make a term loan to the County in an amount equal to the outstanding unpaid principal balance of the Lender's Loan Note. The principal amount outstanding for Series E shall be paid in six equal semi-annual installments commencing on the date which is the first business day after the one hundred eightieth day following the day on which such term loan was made so that the term loan is repaid in full after three years from the date the term loan is made. Interest is payable monthly during the Term Loan Period at a rate equal to the base rate (which is the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus one-half of one percent) plus two percent per annum.

The Series E outstanding balance was reduced by $90,000,000 on August 14, 2008. The remaining outstanding amount of Series E was paid off in full on November 14, 2008. The agreement with Dexia was terminated on May 20, 2009.

H. <u>Interest Rate Swap</u>

The County entered an Interest Rate Swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2004B-2 and the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an Interest Rate Swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. Two other Interest Rate Swaps, dated September 18, 2008, are not directly related to any existing bond issue. 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.

Terms:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	$199,915,000	$72,785,000	$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15th day of each month	The 15th day of February, May, August and November	The 15th day of February, May, August and November
Collateral Threshold: (b)	($15,000,000)	($15,000,000)	($15,000,000)
Fair Value as of 2/28/09:	($20,722,281)	($18,328,235)	($18,328,235)

(a) The notional amount for the swaps amortizes to match the outstanding bond.
(b) Collateral threshold represents the maximum exposure that the counterparty is required to accept without a pledge of collateral. The difference between the fair value and the collateral threshold must be covered by County collateral. The maximum collateral threshold ceiling is $45,000,000.

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Risks:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk as of 2/28/09	Minimal.	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A+, and A+	A1, A+, and A+	Aa1, AA-, and AA-
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $20,722,281, which is based on a fair market value calculation.	The exposure to the County is $18,328,235, which is based on a fair market value calculation.	The exposure to the County is $18,328,235, which is based on a fair market value calculation.

Terms (swaps not directly related to any existing bond issue):

	Goldman Sachs	Goldman Sachs
Trade Date:	September 18, 2008	September 18, 2008
Effective Date:	Any date from and including 6/1/2009 to 12/1/2009.	Any date from and including 6/1/2010 to 12/1/2010.
Termination Date:	August 15, 2039	August 15, 2040
Initial Notional Amount: (a)	$200,000,000	$100,000,000
Authority Pays Fixed:	4.098%	4.237%
Counterparty Pays Floating:	SIFMA Muni Swap Index	SIFMA Muni Swap Index
Payment Dates:	The 15th day of each month	The 15th day of each month
Fair Value as of 2/28/09:	($15,064,443)	($7,171,740)
(a) The notional amount for the swaps amortizes to match the outstanding bond.		

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

Risks:

	Goldman Sachs	Goldman Sachs
Credit Risk as of 2/28/09	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A, and A+	A1, A, and A+
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.	Goldman Sachs pays the SIFMA Muni Swap Index, while the County pays a fixed rate of 4.098%.	Goldman Sachs pays the SIFMA Muni Swap Index, while the County pays a fixed rate of 4.237%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $15,064,443, which is based on a fair market value calculation.	The exposure to the County is $7,171,740, which is based on a fair market value calculation.

The collateral threshold pledging requirements have always been met by the County as required in the SWAP Agreements. On December 4, 2008, the County pledged three Federal National Mortgage Association bonds ("FNMA") as collateral to Citibank and JP Morgan to cover the collateral threshold shortfall. The two FNMA bonds pledged to Citibank were exchanged for a Federal Home Loan Mortgage Corp. bond ("FHLMC") on January 9, 2009 as FNMA called the bonds. On March 30, 2009, the FNMA bond that was collateral for JP Morgan was also called. It was replaced by a FHLMC bond.

I. <u>Subsequent Debt Related Activity</u>

On May 14, 2009, the County issued $215,455,000 Toll Road Senior Lien Revenue Bonds, Series 2009A to finance the construction of toll road projects, to fund the increase in the debt service reserve fund requirement resulting from the issuance of the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.0%. The issuance had a premium of $5,640,228. Interest accrues semiannually and the bonds mature in fiscal year 2038.

On June 5, 2009, Citibank and JP Morgan released two Federal Home Loan Mortgage Corp. bonds back to the County that had been pledged to cover the collateral threshold shortfall on two SWAPS. The SWAPS were the $199,915,000 SWAP for the 2004B-2 Series bonds and the $72,785,000 SWAPs for the 2007B Series bonds.

On June 9, 2009, the County terminated the two SWAPs with Goldman Sachs. The SWAPs notional amounts were $200,000,000 and $100,000,000. The SWAPs were not directly related to any bond issues. The County received $1,000,000 from Goldman Sachs due to the fair value of the positions at the time.

On July 7, 2009, the County pledged a Federal Home Loan Mortgage Corp. bond to Citibank to cover the collateral threshold shortfall on the $199,915,000 interest rate SWAP for the 2004B-2 Series bonds.

J. <u>Arbitrage Rebate Liability</u>

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2009. As of February 28, 2009 there were no estimated liabilities for arbitrage rebate on governmental debt.

8. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 28, 2009 were as follows:

Balance March 1, 2008	Earned	Taken/ Paid	Balance February 28, 2009	Due Within One Year
$ 980,003	$ 995,488	$ (676,202)	$ 1,299,289	$ 675,630

9. RETIREMENT PLAN

Plan Description **-** The County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional, defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar-year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS since 1991, the County has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2009 is 9.74%. The contribution rates for calendar years 2008 and 2007 were 9.64% and 10.43%, respectively.

The plan provisions are adopted by the 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 8 or more years of service, with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after eight years 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 the Commissioner's Court of the County 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. 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.

Funding Policy - The County has elected the annually determined contribution rate ("ADCR") plan provision 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. The County contributed using 9.64% for the months of the calendar year in 2008, and 9.74% for the months of the calendar year in 2009.

The contribution rate payable by the employee members for 2008 and 2009 is the rate of 7% as adopted by Commissioner's Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner's Court within the options available in the TCDRS Act.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost **-** For the County's fiscal year ended February 28, 2009, the annual pension cost for the TCDRS plan for its employees, including the Authority, was $79,047,481and the actual contributions for the Authority were $3,454,350. (This excludes actuarial contributions of $2,960,716 for Community Supervision, which is not considered a department or component unit of the County.) The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 report is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	15	15	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.3 %	5.3 %	5.3 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/09	$ 79,047,481	100%	-
2/29/08	$ 75,944,968	100%	-
2/28/07	$ 65,922,424	100%	-

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	$2,355,663,641
Actuarial Accrued Liability (AAL)	$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	$ 369,123,005
Funded Ratio	86.45%
Annual Covered Payroll (Actuarial)	$ 839,919,068
UAAL as Percentage of Covered Payroll	43.95%

10. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

Harris County administers an agent multiple-employer defined benefit post employment healthcare plan that covers retired employees of participating governmental entities. 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 Commissioner's Court.

Membership in the plan at March 1, 2007, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,000
Active plan members	14,226
Number of participating employers	5

Summary of Significant Accounting Policies
Basis of Accounting. The Plan's transactions are recorded using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable.

Method Used to Value Investments. Investments are reported at fair value, which is based on quoted market prices with the difference between the purchase price and market price being recorded as earnings on investments.

Contributions
Local Government Code Section 157.102 assigns to Commissioner's Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The following tables present the criteria for the employers' contribution to the retiree's and qualifying dependent's benefits:

Retired Prior to March 1, 2002:

Years of Service	10 yrs.	9 yrs.	8 yrs.	< 8yrs. with proportionate service and/or disability
Retiree - Employer Share	100%	90%	80%	50%
Retiree - Retiree Share	0%	10%	20%	50%
Dependent - Employer Share	50%	45%	40%	25%
Dependent - Retiree Share	50%	55%	60%	75%

Retired or Eligible to Retire Prior to March 1, 2011:

Employee's age plus years of service	75	75	70-74	< 70	N/A
Years of service	10	8-9	8	4-7	< 4
Consecutive service years at retirement	4	4	4	4	N/A
Retiree - Employer Share	100%	80%	80%	50%	0%
Retiree - Retiree Share	0%	20%	20%	50%	100%
Dependent - Employer Share	50%	40%	40%	25%	0%
Dependent - Retiree Share	50%	60%	60%	75%	100%

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of service equal to 80 or at least age 65 with a minimum of 10 years of service to receive 100% County contributions for retiree coverage and 50% for dependent coverage. Retirees under age 65 and whose age plus years of service is less than 80 will be required to pay an additional contribution as determined by Commissioner's Court.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of service equal to 80 or at least age 65 with a minimum of 15 years of service to receive any County contributions for retiree or dependent coverage.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2009, plan members or beneficiaries receiving benefits contributed $4.53 million, or approximately 14 percent of total benefits paid during the year. Participating employers contributed $26.82 million. The total contributions for the year ended February 28, 2009 was $31.35 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation and network access based on a percent of claims paid.

THE EMPLOYER:

Annual OPEB Cost

For 2009, the County's annual OPEB cost (expense) was $96,615,958 (including Toll Road of $4,063,010) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2009 were as follows:

Annual Required Contribution	$ 97,628,162
Add interest on Net OPEB Obligation	3,685,994
Less adjustment to Annual Required Contribution	(4,698,198)
Annual OPEB Cost	96,615,958
Less Contributions made	(26,823,612)
Change in Net OPEB Obligation	69,792,346
Net OPEB Obligation, beginning of the year	70,209,408
Net OPEB Obligation, end of the year	$ 140,001,754

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/29/2008	$ 97,628,162	$ 27,418,754	28%	$ 70,209,408
2/28/2009	96,615,958	26,823,612	28%	140,001,754

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The annual net OPEB obligation for Emergency 911 and Community Supervision is $142,209 and $0 respectively for fiscal year 2008 and the net OPEB obligation for Emergency 911 and Community Supervision is $286,167 and $66,579 respectively at February 28, 2009. Toll Road's portion of the net OPEB obligation above is $7,245,523. Note that this is the second year of implementation of GASB 45, which requires three years of data in the trend information table.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2007 (most recent actuarial valuation) was as follows:

	All Participants	Toll Road Portion
Unfunded actuarial accrued liability (UAAL)	$ 852,350,950	$ 23,508,770
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	$ 760,995,816	$ 36,039,432
UAAL as a percentage of covered payroll	112%	65%

The "All Participants" column in the above table includes UAAL of $1,317,537 for Emergency 911 and UAAL of $19,615,199 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County's UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2007, actuarial valuation, a 5.25% discount rate was used. The medical trend rates of 10% for 2007, and 9% for 2008 graded down to an ultimate rate of 5% by 2012 per the actuary's best estimate of expected long-term plan experience.

The actuarial cost method used in valuing the County's liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Additional Disclosures

Texas Local Government Code, Chapter 175 requires 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. Harris County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current "pay as you go" basis for a single fiscal year through an annual appropriation authorized by Commissioner's Court during the County's annual budget adoption process.

GAAP 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.

Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of $184,773,067.

Litigation and Claims

The Authority is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such pending lawsuits and other claims are not presently determinable, management of the Authority believes that the resolution of these matters is not expected to have a materially adverse effect on the financial condition of the Authority. There are several civil cases that have resulted in settlements, consent decrees or are expected to have financial impact on the Authority in subsequent fiscal years. An additional amount of $2,019,512 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

Joint Deposit/Escrow Account

On July 23, 2002, the Commissioners Court approved an agreement for a joint deposit/ escrow account between the Authority and Metro and to deposit $13.8 million in the account. An additional $16.4 million was approved by Commissioners Court in November 2003 and deposited into the escrow account. The Authority's construction and operation of toll road facilities within the Westpark Corridor may necessitate Metro's incurring architectural and engineering costs in connection with its future development of its public transit projects in the Westpark Corridor over and above the costs it would otherwise incur if no toll road facilities were constructed in the easements acquired by the Authority. The terms of the escrow agreement provide that the principal and interest can only be used if and when Metro elects to proceed with the development of a transit system in its portion of the Westpark Corridor. The escrow agreement terminates December 31, 2025 and any funds remaining in the escrow account will be disbursed to the Toll Road Authority.

12. TRANSFERS AND ADVANCES

The Commissioners Court approved a $120 million annual allocation for funding of a County thoroughfare program to enhance the traffic flow to current or proposed toll facilities and to increase general mobility.

In September 2006, the Authority advanced $26 million to the County's General Fund to cover the County's repayment of a long term note on behalf of the Harris County Sports & Convention Corporation. Repayment of the note plus interest by the Harris County Houston/Sports Authority to the County and subsequently to the Authority will be made beginning in 2011 through 2020.

In October 2008, Commissioners Court approved an interfund borrowing and line of credit from the Harris County Toll Road Authority to the Hurricane Ike Disaster Fund, not to exceed $60 million. The borrowing and line of credit has a one-year maturity with principal and interest due at maturity with an option for Commissioners Court to extend the note for an additional year with principal and interest payable at maturity. The interfund borrowing was $22 million at February 28, 2009.

13. REVENUE LEASES

Operating Leases

The Authority is the lessor in several operating leases for office space. The leases will expire over the next 15 years. The building is carried at $806,246 with accumulated depreciation of $95,555 for a net investment in the property of $710,691. The following is a schedule of minimum future rentals on non-cancelable operating leases of February 28, 2009:

Fiscal year	
2010	$ 452,969
2011	452,968
2012	452,969
2013	452,968
2014	452,969
2015-2019	1,317,939
2020-2024	244,440
Total minimum future rentals	$ 3,827,222

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 $11,700 in 2009.

Direct-Financing Leases

The Authority leases equipment to the City of Houston for use at the Airport. The Authority's net investment in direct financing leases is $3,215,599. This lease expires in 4 years and is not considered a significant part of the Authority's business activities in terms of revenue.

14. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB 51 will be implemented by the Authority in fiscal year 2011 and the impact has not yet been determined.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* ("GASB 52"), establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. GASB 52 will be implemented by the Authority in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 53 will be implemented by the Authority in fiscal year 2011 and the impact has not yet been determined.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 will be implemented by the Authority in fiscal year 2012 and the impact has not yet been determined.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 55"), is to incorporate the hierarch of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. GASB 55 will be implemented by the Authority in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* ("GASB 56"), is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. GASB 56 will be implemented by the Authority in fiscal year 2010 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2008	3/1/2007	$ -	$ 852,350,950	$ 852,350,950	0%	$ 698,535,669	122.0%
2009	3/1/2007	-	852,350,950	852,350,950	0%	760,995,816	112.0%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are $1,317,537 and $19,615,199 respectively.

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2008	3/1/2007	$ -	$ 23,508,770	$ 23,508,770	0%	$ 31,598,861	74.4%
2009	3/1/2007	-	23,508,770	23,508,770	0%	36,039,432	65.2%

Note: This is the second year of implementation of GASB 45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was 3/1/2007.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Value of Assets	$2,184,433,915	$2,375,906,657	$2,355,663,641
Actuarial Accrued Liability (AAL)	$2,322,483,635	$2,521,078,602	$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	$ 138,049,720	$ 145,171,945	$ 369,123,005
Funded Ratio	94.06%	94.24%	86.45%
Annual Covered Payroll (Actuarial)	$ 682,345,135	$ 755,852,867	$ 839,919,068
UAAL as Percentage of Covered Payroll	20.23%	19.21%	43.95%

OTHER INFORMATION

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Traffic Count Table
Schedule 1
(Unaudited)

Component/Segment	2005	2006	2007	2008	2009
Hardy Toll Road-North	14,052,770	14,632,226	14,844,875	16,938,676	16,744,345
Hardy Toll Road-South	18,462,284	19,010,977	19,194,355	20,975,028	19,876,515
Sam Houston Tollway-South	61,531,417	63,197,673	67,495,296	70,584,503	64,640,311
Sam Houston Tollway-Central	51,591,528	55,090,689	56,979,721	56,124,887	53,294,082
Sam Houston Tollway-North	57,044,397	62,488,975	64,503,481	65,373,379	63,185,142
Sam Houston Ship Channel Bridge	10,845,442	12,396,189	12,685,800	13,263,584	12,121,030
Sam Houston Tollway-East	16,510,758	18,362,289	19,094,698	20,166,224	20,035,646
Sam Houston Tollway-South/East	23,929,678	25,702,415	26,790,083	27,928,955	26,821,418
Sam Houston Tollway-South/West	30,545,303	32,782,866	34,006,958	34,769,529	31,883,756
Westpark Tollway	12,723,902	30,329,845	41,553,985	45,961,833	42,023,500
Spur 90A (a)	-	1,241,962	2,803,683	3,645,128	3,322,965
Total	297,237,479	335,236,106	359,952,935	375,731,726	353,948,710

(a) Spur 90 A opened in 2006

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

Toll Rate Schedule Effective as of September 3, 2007

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 0.75-1.50	$ 0.75-1.50	$ 0.75-1.25
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.50
Westpark	N/A	N/A	$ 0.50-1.25
Hwy 90A	N/A	$ 1.00	$ 0.75
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25-7.50	N/A	$ 1.25-7.50
Sam Houston Ship Channel Bridge	$ 3.00-7.50	N/A	$ 3.00-7.50
Westpark	N/A	N/A	$ 1.00-6.25
Hwy 90A	N/A	$ 1.75-5.00	$ 1.75-5.00

Toll Rate Schedule Prior to September 3, 2007

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25	$ 1.25	$ 1.00
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.50
Westpark	N/A	N/A	$ 0.35-1.00
Hwy 90A	N/A	$ 0.75	$ 0.50
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.00-6.25	N/A	$ 1.25-6.25
Sam Houston Ship Channel Bridge	$ 3.00-7.50	N/A	$ 3.00-7.50
Westpark	N/A	N/A	$ 1.00-6.25
Hwy 90A	N/A	$ 1.50-4.00	$ 1.50-4.00

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

	2005	2006	2007	2008	2009
Operating Revenues					
Toll revenues	$ 317,712,245	$ 349,341,225	$ 392,992,697	$ 428,867,531	$ 442,015,417
Intergovernmental revenues	-	-	1,612,040	1,286,116	994,397
Total Operating Revenues	317,712,245	349,341,225	394,604,737	430,153,647	443,009,814
Operating Expenses					
Salaries	25,852,853	28,771,452	33,198,646	46,510,889	53,515,886
Materials and supplies	2,732,095	7,265,279	23,707,444	11,650,933	8,072,061
Services and fees	26,410,239	28,748,034	39,362,124	30,121,112	51,940,426
Utilities	1,948,440	2,288,230	2,895,118	3,296,602	2,866,487
Transportation and travel	437,235	525,709	690,508	866,963	1,075,839
Depreciation	42,913,450	51,818,107	59,704,746	62,889,174	67,034,586
Total Operating Expenses	100,294,312	119,416,811	159,558,586	155,335,673	184,505,285
Income from Operations	217,417,933	229,924,414	235,046,151	274,817,974	258,504,529
Nonoperating Revenues					
Investment income	6,317,939	19,799,582	39,390,825	49,023,466	41,253,022
Lease revenues	-	1,000,948	740,389	487,579	462,981
Other	-	-	11,251	4,405,838	599,298
Total Nonoperating Revenues	6,317,939	20,800,530	40,142,465	53,916,883	42,315,301
Nonoperating Expenses					
Interest expense	96,222,165	97,189,289	103,386,119	103,326,312	106,674,114
Amortization expense	13,137,957	13,642,903	13,726,840	14,309,780	14,555,334
Other	3,703,190	5,199	-	-	18,770
Total Nonoperating Expenses	113,063,312	110,837,391	117,112,959	117,636,092	121,248,218
Net Income Before Contributions and Transfers Out	110,672,560	139,887,553	158,075,657	211,098,765	179,571,612
Contributions (a)	12,522,506	3,129,512	3,113,317	3,059,437	9,197,722
Transfers In	-	-	-	21,769	-
Transfers Out (b)	(20,130,000)	(20,241,030)	(31,112,333)	(120,480,464)	(120,237,481)
Change in Net Assets	$ 103,065,066	$ 122,776,035	$ 130,076,641	$ 93,699,507	$ 68,531,853

(a) Represents federal and state contributions recognized for direct connector projects between (i) the Sam Houston Tollway-East and Hardy Toll Road-North segments of the Project and (ii) SH 249 and the Sam Houston Tollway.

(b) Commissioners Court annually authorizes the transfer of HCTRA net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility. The transfers were as follows: fiscal years 2005 & 2006 - $20 million, fiscal year 2007 - $28.4 million, fiscal years 2008 & 2009 - $120 million.

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

Fiscal Year Ending	Project Revenues	(a) Other Earnings	Debt Service Senior Lien Revenue Bonds	Coverage Ratio On Senior Lien Revenue Bonds	(b) O & M Expenses	Revenues Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
2000	$ 198,282,272	$ 19,093,544	$ 48,974,806	4.439	$27,919,182	$ 140,481,828	$ 67,230,590	2.090
2001	217,785,196	30,729,789	50,393,133	4.932	32,873,082	165,248,770	70,100,623	2.357
2002	234,674,805	23,262,829	52,677,208	4.897	33,453,815	171,806,611	74,756,674	2.298
2003	244,170,745	15,926,325	49,727,149	5.230	39,962,567	170,407,354	67,483,545	2.525
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434
2006	349,341,225	20,759,221	75,387,443	4.909	58,899,030	235,813,973	75,453,269	3.125
2007	392,992,697	41,647,566	92,115,954	4.718	74,627,072	267,897,237	75,413,268	3.552
2008	428,867,531	50,694,456	85,536,226	5.607	85,131,990	308,893,771	74,690,589	4.136
2009	442,015,417	42,667,384	98,880,513	4.902	104,062,177	281,740,111	72,420,498	3.890

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

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

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

Component/Segment	2005	2006	2007	2008	2009
Hardy Toll Road-North	$ 13,888,956	$ 14,381,462	$ 14,981,525	$ 18,355,035	$ 19,229,430
Hardy Toll Road-South (a)	17,202,971	17,568,326	18,105,401	22,382,009	23,279,910
Sam Houston Tollway-South	58,765,316	59,541,264	62,831,888	72,011,783	74,453,883
Sam Houston Tollway-Central	51,823,534	54,416,326	56,966,197	61,753,737	63,447,659
Sam Houston Tollway-North	57,182,927	61,428,727	66,076,156	73,733,209	76,515,321
Sam Houston Ship Channel Bridge	19,356,296	21,984,875	23,187,641	24,088,354	21,816,438
Sam Houston Tollway-East	17,157,370	19,122,853	20,360,429	23,551,201	25,109,264
Sam Houston Tollway-South/East	24,144,419	25,641,681	27,344,571	31,543,731	32,969,486
Sam Houston Tollway-South/West	28,280,061	29,206,606	30,703,175	34,661,216	36,374,354
Westpark Tollway	8,730,798	23,036,382	33,316,113	41,871,471	42,232,814
Spur 90A (b)	-	635,501	1,449,018	2,375,092	2,489,264
Administration (c)	20,641,990	21,163,992	35,196,101	17,777,848	17,145,187
Fort Bend	120,916	523,356	1,391,956	1,717,492	1,591,854
IOP-NTTA (d)	416,691	689,874	917,995	1,605,179	2,242,924
IOP-TTA (e)	-	-	164,531	1,435,807	2,589,326
IOP-CTRMA (f)	-	-	-	4,367	33,842
Airport GT (g)	-	-	-	-	17,387
Airport Park (g)	-	-	-	-	477,074
Total	$ 317,712,245	$ 349,341,225	$ 392,992,697	$428,867,531	$ 442,015,417

(a) Includes toll revenues collected for the Airport Connector.

(b) Spur 90A opened in 2006.

(c) Consist of EZ tag fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.

(d) Revenue includes amounts attributable to the interoperability program with NTTA. In August, 2003 Commissioners Court approved an interlocal agreement that allows for tag patrons to use both the HCTRA and NTTA toll systems. The figures shown represent NTTA tag holders' usage on the HCTRA system and may include revenue from any segment of the system.

(e) Implemented in February 2006, an interlocal agreement allows for tag patrons to use both the HCTRA and the TxTag administered by the Texas Transportation Commission. The figures shown represent TxTag tag holders' usage on the HCTRA system and may include revenue from any segment of the system.

(f) Implemented in January 2008, an interlocal agreement allows for tag holders' usage to the HCTRA, NTTA, Central Texas Regional Mobility and TxDOT toll collections systems within the state. The figure shown represents toll collections attributable to the interoperabilty program with CTRMA.

(g) Airport GT and Park opened August 2008.

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

Fiscal	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	$ 41,540,000	$ 45,590,769	$ 87,130,769	$ 28,120,000	$ 82,637,412	$ 110,757,412	$ 69,660,000	$ 128,228,181	$ 197,888,181
2011	43,285,000	43,121,769	86,406,769	34,460,000	80,784,278	115,244,278	77,745,000	123,906,047	201,651,047
2012	44,740,000	40,508,675	85,248,675	37,140,000	78,937,128	116,077,128	81,880,000	119,445,803	201,325,803
2013	47,000,000	37,983,369	84,983,369	43,890,000	76,847,572	120,737,572	90,890,000	114,830,941	205,720,941
2014	57,050,000	27,730,631	84,780,631	47,085,000	74,508,556	121,593,556	104,135,000	102,239,187	206,374,187
2015	62,295,000	20,636,581	82,931,581	50,835,000	72,009,800	122,844,800	113,130,000	92,646,381	205,776,381
2016	40,575,000	18,015,600	58,590,600	54,605,000	69,347,737	123,952,737	95,180,000	87,363,337	182,543,337
2017	26,380,000	16,419,013	42,799,013	58,590,000	66,510,562	125,100,562	84,970,000	82,929,575	167,899,575
2018	26,610,000	15,127,731	41,737,731	62,875,000	63,494,556	126,369,556	89,485,000	78,622,287	168,107,287
2019	27,445,000	13,742,050	41,187,050	62,120,000	60,419,575	122,539,575	89,565,000	74,161,625	163,726,625
2020	28,345,000	12,277,563	40,622,563	65,275,000	57,316,431	122,591,431	93,620,000	69,593,994	163,213,994
2021	29,285,000	10,764,775	40,049,775	68,190,000	54,145,022	122,335,022	97,475,000	64,909,797	162,384,797
2022	19,445,000	9,485,613	28,930,613	71,095,000	50,886,393	121,981,393	90,540,000	60,372,006	150,912,006
2023	20,240,000	8,449,022	28,689,022	33,715,000	48,432,150	82,147,150	53,955,000	56,881,172	110,836,172
2024	20,700,000	7,384,903	28,084,903	38,015,000	46,748,431	84,763,431	58,715,000	54,133,334	112,848,334
2025	21,165,000	6,297,059	27,462,059	39,830,000	44,927,062	84,757,062	60,995,000	51,224,121	112,219,121
2026	12,070,000	5,430,338	17,500,338	42,630,000	42,934,925	85,564,925	54,700,000	48,365,263	103,065,263
2027	12,090,000	4,796,138	16,886,138	46,265,000	40,721,024	86,986,024	58,355,000	45,517,162	103,872,162
2028	12,115,000	4,160,756	16,275,756	50,025,000	38,329,775	88,354,775	62,140,000	42,490,531	104,630,531
2029	12,135,000	3,524,194	15,659,194	53,980,000	35,747,909	89,727,909	66,115,000	39,272,103	105,387,103
2030	12,160,000	2,886,450	15,046,450	58,120,000	32,999,910	91,119,910	70,280,000	35,886,360	106,166,360
2031	12,185,000	2,247,394	14,432,394	62,440,000	30,057,959	92,497,959	74,625,000	32,305,353	106,930,353
2032	12,210,000	1,607,025	13,817,025	65,770,000	26,924,094	92,694,094	77,980,000	28,531,119	106,511,119
2033	12,240,000	965,212	13,205,212	70,425,000	23,614,031	94,039,031	82,665,000	24,579,243	107,244,243
2034	12,265,000	321,956	12,586,956	76,325,000	20,021,894	96,346,894	88,590,000	20,343,850	108,933,850
2035	-	-	-	92,060,000	16,081,180	108,141,180	92,060,000	16,081,180	108,141,180
2036	-	-	-	97,050,000	11,849,957	108,899,957	97,050,000	11,849,957	108,899,957
2037	-	-	-	23,365,000	9,125,662	32,490,662	23,365,000	9,125,662	32,490,662
2038	-	-	-	11,440,000	8,286,738	19,726,738	11,440,000	8,286,738	19,726,738
2039	-	-	-	12,030,000	7,699,987	19,729,987	12,030,000	7,699,987	19,729,987
2040	-	-	-	12,645,000	7,083,113	19,728,113	12,645,000	7,083,113	19,728,113
2041	-	-	-	13,310,000	6,417,600	19,727,600	13,310,000	6,417,600	19,727,600
2042	-	-	-	14,030,000	5,699,925	19,729,925	14,030,000	5,699,925	19,729,925
2043	-	-	-	14,785,000	4,943,531	19,728,531	14,785,000	4,943,531	19,728,531
2044	-	-	-	15,580,000	4,146,450	19,726,450	15,580,000	4,146,450	19,726,450
2045	-	-	-	16,420,000	3,306,450	19,726,450	16,420,000	3,306,450	19,726,450
2046	-	-	-	17,305,000	2,421,169	19,726,169	17,305,000	2,421,169	19,726,169
2047	-	-	-	18,240,000	1,488,113	19,728,113	18,240,000	1,488,113	19,728,113
2048	-	-	-	19,225,000	504,656	19,729,656	19,225,000	504,656	19,729,656
Total	$665,570,000	$ 359,474,586	$1,025,044,586	$ 1,699,305,000	$ 1,408,358,717	$3,107,663,717	$2,364,875,000	$ 1,767,833,303	$4,132,708,303

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

The Series 1994A, Series 1995A, Series 1997, Series 2001, Series 2002, Series 2003, Series 2007C, and Series 2008A Tax Bonds are collectively referred to as the "Toll Road Tax Bonds".

Issue	Date Issued	Outstanding Principal Amount at February 28, 2009
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1994	April 1994	$ 51,610,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1995A	September 1995	500,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	26,755,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2001	May 2001	120,740,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2002	November 2002	42,260,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2003	July 2003	25,720,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	321,745,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2008A	December 2008	76,240,000
TOTAL		$ 665,570,000

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

The Series 2002, Series 2004A, Series 2004B, Series 2005A, Series 2006A, Series 2007A, Series 2007B, and Series 2008B are referred to as the "Senior Lien Revenue Bonds".

Issue	Outstanding Principal Amount at February 28, 2009
Harris County, Texas,	
Toll Road Senior Lien Revenue Refunding Bonds	
Series 2002	$ 217,065,000
Harris County, Texas,	
Toll Road Senior Lien Revenue Refunding Bonds	
Series 2004A	168,715,000
Series 2004B	411,135,000
Harris County, Texas,	
Toll Road Senior Lien Revenue Refunding Bonds	
Series 2005A	22,740,000
Harris County, Texas,	
Toll Road Senior Lien Revenue Refunding Bonds	
Series 2006A	135,530,000
Harris County, Texas,	
Toll Road Senior Lien Revenue Refunding Bonds	
Series 2007A	274,075,000
Series 2007B	145,570,000
Harris County, Texas,	
Toll Road Senior Lien Revenue Refunding Bonds	
Series 2008B	324,475,000
TOTAL	$ 1,699,305,000

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2009-2010
Schedule 9
(Unaudited)

On March 10, 2009 the Commissioners Court adopted the budget for the County for the Fiscal Year 2010 which included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2010 Budget for the County's Current Operating Funds:

Cash Balance as of March 1, 2009	$ 255,740,997
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	919,651,749
Charges for Services	203,948,551
Fines and Forfeitures	21,088,367
Intergovernmental Revenues	36,813,265
Interest	4,847,910
Other	43,596,037
Total Cash and Estimated Revenues	$ 1,485,686,876
Appropriations:	
Current Operating Expenses	$ 1,370,380,652
Capital Outlay:	
Roads	83,412,335
Parks	31,783,259
Office/Courts	110,630
Total Appropriations	$ 1,485,686,876

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

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2009 derived from the sale of bonds and the investment income thereon, are designated to be spent over a period of several years for the following purposes:

Roads	$	228,492,739
Permanent Improvements		40,353,751
Flood Control		152,754,919
Reliant Park		14,544,303
Total	$	436,145,712

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

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value		M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2000	$136,396,208	$ 26,962,355	$ 22,345,082	$ 141,013,481		0.35780	0.03703	0.39483
2001	150,845,241	28,397,625	25,145,837	154,097,029		0.32599	0.03303	0.35902
2002	165,804,662	30,668,510	28,809,564	167,663,608		0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.38106	0.02133	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756		0.37118	0.02121	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265		0.37007	0.01916	0.38923

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of $160,000 ($156,240 prior to 2008).
(b) HCAD tax supplement as of February 1 of the tax year.
(c) HCAD tax supplement as of January 29 of the tax year.
Source: Harris County Appraisal District.

Note: Property in the County is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY TAX LEVIES AND COLLECTIONS
(EXCEPT FLOOD CONTROL DISTRICT)
LAST TEN FISCAL YEARS
Schedule 12
(Unaudited)
(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2000	$ 557,352	$ 557,093	$ 538,011	96.5	$ 16,537	$ 554,548	99.5
2001	553,216	553,173	547,846	99.0	2,487	550,333	99.5
2002	643,711	643,709	617,800	96.0	22,230	640,030	99.4
2003	682,975	682,948	657,498	96.3	21,132	678,630	99.4
2004	704,093	705,269	693,384	98.5	7,287	700,671	99.3
2005	793,759	762,499	740,302	93.3	16,420	756,722	99.2
2006	796,885	820,425	719,922	90.3	94,166	814,088	99.2
2007	887,598	904,512	793,835	89.4	101,885	895,720	99.0
2008	929,929	994,110	910,828	97.9	67,658	978,486	98.4
2009	1,089,141	1,089,141	981,807	90.1	-	981,807	90.1

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

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

	2009			2000		
Taxpayers	2008 Taxable Valuations (a)	Rank	Percentage of Total 2008 Taxable Valuation (b)	1999 Taxable Valuations (a)	Rank	Percentage of Total 1999 Taxable Valuation (c)
Exxon Mobil Corporation	$ 4,037,542	1	1.43	$ 3,030,376	1	2.15
Shell Oil Company	2,638,781	2	0.94	1,160,775	5	0.82
Centerpoint Energy, Inc.	2,500,761	3	0.89	-		0.00
Houston Refining (d)	1,555,086	4	0.55	-		0.00
Chevron Chemical Company	1,493,069	5	0.53	477,197	9	0.34
Equistar Chemicals LP (d)	1,465,828	6	0.52	1,290,425	4	0.92
Crescent Real Estate	1,378,917	7	0.49	754,892	6	0.54
Hines Interests Ltd Partnership	1,248,647	8	0.44	-		0.00
AT&T Mobility LLC	999,524	9	0.35	-		0.00
Lyondell Chemical (d)	993,951	10	0.35	753,476	7	0.53
Hewlett Packard Company	805,651	11	0.29	-		0.00
Cullen Allen Holdings LP	740,183	12	0.26	-		0.00
Walmart	721,534	13	0.26	-		0.00
BP Amoco	666,938	14	0.24	-		0.00
Teachers Insurance	659,700	15	0.23	-		0.00
Houston Lighting and Power Company	-		0.00	2,028,171	2	1.44
Southwestern Bell Telephone	-		0.00	1,449,120	3	1.03
Compaq Computer Corporation	-		0.00	739,107	8	0.52
Occidental Chemical Corporation	-		0.00	464,241	10	0.33
Celanese Ltd	-		0.00	425,815	11	0.30
Conoco, Inc.	-		0.00	386,412	12	0.27
Phillips 66 Company	-		0.00	383,520	13	0.27
Fina Oil & Chemical Company	-		0.00	353,241	14	0.25
Weingarten Realty	-		0.00	346,030	15	0.25
Total	$ 21,906,112		7.77%	$ 14,042,798		9.96%

Source: Harris County Appraisal District.

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

(b) Based on the County's total taxable value as of February 28, 2009.

(c) Based on the County's total taxable value as of February 20, 2000.

(d) Lyondell Chemical filed for Chapter 11 bankruptcy on January 6, 2009. The County is not certain that it will be able to collect all taxes owed by Lyondell Chemical and its related entities Houston Refining and Equistar Chemical LP to the County.

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

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	$ 1,148,276,629
Unlimited Tax Debt	746,974,593
Flood Control	421,175,000
Toll Road Tax Bonds	665,570,000
Total	$ 2,981,996,222
Less: Toll Road Tax Bonds	(665,570,000)
Total (Approximately 0.64% of 2008 Assessed Value)	$ 2,316,426,222

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

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

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 1999-2000 through 2008-09.

Fiscal Year	County's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
2000	$ 1,563,517	$ 141,013,481	1.11%	3,250,404	$ 481
2001	1,572,795	154,097,029	1.02	3,400,578	463
2002	1,640,580	167,663,608	0.98	3,460,589	474
2003	1,928,192	176,215,696	1.09	3,557,055	542
2004	1,968,193	185,156,210	1.06	3,596,086	547
2005	2,258,539	194,263,945	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683
2007	2,856,915	225,237,250	1.27	3,886,207	735
2008	2,768,709	254,222,756	1.09	3,935,855	703
2009	2,981,996	282,177,265	1.06	3,984,349	748

(a) Includes debt paid for by the County's ad valorem tax revenues.

(b) Taxable values are net of exemptions and abatements. Property is assessed at 100% of appraised value.

(c) Source: Bureau of the Census.

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

Fiscal	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Suboridinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	$ 45,940	$ 51,449	$ 97,389	$ 26,245	$ 38,049	$ 64,294	$ 41,540	$ 45,591	$ 87,131	$ 11,573	$ 29,795	$ 41,368	$ 125,298	$ 164,884	$ 290,182
2011	46,940	51,507	98,447	34,630	34,229	68,859	43,285	43,122	86,407	10,269	28,692	38,961	135,124	157,550	292,674
2012	54,760	49,368	104,128	30,690	32,560	63,250	44,740	40,509	85,249	10,109	26,518	36,627	140,299	148,955	289,254
2013	61,675	45,332	107,007	28,005	31,026	59,031	47,000	37,983	84,983	11,455	24,936	36,391	148,135	139,277	287,412
2014	50,730	41,152	91,882	18,503	31,677	50,180	57,050	27,731	84,781	11,805	24,399	36,204	138,088	124,959	263,047
2015	52,657	39,147	91,804	19,933	28,861	48,794	62,295	20,637	82,932	10,760	23,838	34,598	145,645	112,483	258,128
2016	54,412	36,981	91,393	19,648	28,167	47,815	40,575	18,016	58,591	9,785	23,326	33,111	124,420	106,490	230,910
2017	57,227	34,828	92,055	18,989	27,466	46,455	26,380	16,419	42,799	9,045	22,866	31,911	111,641	101,579	213,220
2018	59,151	32,386	91,537	19,357	26,779	46,136	26,610	15,128	41,738	9,450	22,436	31,886	114,568	96,729	211,297
2019	52,996	29,826	82,822	32,040	26,057	58,097	27,445	13,742	41,187	24,245	21,964	46,209	136,726	91,589	228,315
2020	40,146	27,479	67,625	33,685	24,409	58,094	28,345	12,277	40,622	40,100	20,697	60,797	142,276	84,862	227,138
2021	50,520	25,533	76,053	35,410	22,686	58,096	29,285	10,765	40,050	40,655	18,610	59,265	155,870	77,594	233,464
2022	51,255	23,211	74,466	37,785	20,874	58,659	19,445	9,486	28,931	45,170	16,570	61,740	153,655	70,141	223,796
2023	53,605	20,858	74,463	39,670	18,981	58,651	20,240	8,449	28,689	45,290	14,203	59,493	158,805	62,491	221,296
2024	44,531	16,689	61,220	41,670	16,994	58,664	20,700	7,385	28,085	46,605	11,939	58,544	153,506	53,007	206,513
2025	87,822	16,651	104,473	43,755	14,911	58,666	21,165	6,297	27,462	10,055	9,609	19,664	162,797	47,468	210,265
2026	38,914	12,248	51,162	38,140	12,723	50,863	12,070	5,430	17,500	26,255	9,093	35,348	115,379	39,494	154,873
2027	52,700	10,134	62,834	38,140	10,816	48,956	12,090	4,796	16,886	26,255	7,780	34,035	129,185	33,526	162,711
2028	54,965	7,649	62,614	38,140	8,909	47,049	12,115	4,161	16,276	26,255	6,468	32,723	131,475	27,187	158,662
2029	39,140	5,377	44,517	38,135	7,127	45,262	12,135	3,524	15,659	26,255	5,187	31,442	115,665	21,215	136,880
2030	24,830	3,190	28,020	38,135	5,345	43,480	12,160	2,886	15,046	26,255	3,906	30,161	101,380	15,327	116,707
2031	25,530	2,271	27,801	38,135	3,564	41,699	12,185	2,247	14,432	26,255	2,625	28,880	102,105	10,707	112,812
2032	26,280	1,328	27,608	38,135	1,782	39,917	12,210	1,607	13,817	26,255	1,313	27,568	102,880	6,030	108,910
2033	21,550	360	21,910	-	-	-	12,240	965	13,205	-	-	-	33,790	1,325	35,115
2034	-	-	-	-	-	-	12,265	322	12,587	-	-	-	12,265	322	12,587
Total	$ 1,148,276	$ 584,954	$ 1,733,230	$ 746,975	$ 473,992	$ 1,220,967	$ 665,570	$ 359,475	$ 1,025,045	$ 530,156	$ 376,770	$ 906,926	$ 3,090,977	$ 1,795,191	$ 4,886,168

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

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS
Schedule 17
(Unaudited)
(Amounts in Thousands)

As of February 28, 2009, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1987, November, 1989, November, 1993, November, 1997, and November, 2001 remain unissued.

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

The Schedule also shows Port of Houston Authority valorem tax bonds that were authorized by the voters at elections held in November, 1989, November, 1993, and November, 1997 but remain unissued. Harris County has no legal responsibility for repayment of these bonds.

County Ad Valorem Tax Bonds		
Limited Tax:		
Civil Justice Center	$ 33,000	
Parks	95,000	
Forensic Lab	80,000	
Family Law Center	70,000	
Total Limited Tax Bonds		$ 278,000
Unlimited Tax:		
Road Bonds	247,193	
Total Unlimited Tax Bonds		247,193
Combination Unlimited Tax and Revenue:		
Toll Roads	17,673	
Total Unlimited Tax and Revenue Bonds		17,673
Harris County Flood Control District Limited Tax Bonds		-
Total Harris County Ad Valorem Tax Bonds		542,866
Port of Houston Authority Unlimted Tax Bonds		
Port Improvements	250,000	
Deepening and Widening of Houston Ship Channel	-	
Total Port of Houston Authority Bonds		250,000
Total Authorized but Unissued Bonds		$ 792,866

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Harris County General Fund:										
Reserved	$ 76,937	$ 71,535	$ 69,003	$ 105,162	$ 100,143	$ 112,291	$ 146,215	$ 175,301	$ 175,956	$ 202,321
Unreserved	218,634	204,672	246,811	214,160	250,939	203,684	175,581	128,418	192,616	166,726
Total general fund	$ 295,571	$ 276,207	$ 315,814	$ 319,322	$ 351,082	$ 315,975	$ 321,796	$ 303,719	$ 368,572	$ 369,047

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

	Full-time Equivalent Employees as of February 28/29										
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**		**2007**	**2008**	**2009**
Administration of Justice	7,820	8,054	8,177	8,115	8,450	8,554	8,380	**a**	8,168	8,740	9,425
Parks	*	*	*	*	*	*	715		706	732	787
County Administration	2,612	2,758	2,817	2,627	2,720	2,787	2,726		2,871	3,024	3,339
Health and Human Services	*	*	*	*	*	*	1,613		1,604	1,706	1,796
Flood Control	276	270	277	289	331	342	312		333	325	354
Tax Administration	458	460	468	450	465	442	428		426	435	428
Roads and Bridges	677	716	736	752	817	837	782		779	807	856
Other *	1,489	1,613	1,742	2,050	2,287	2,441	*		*	*	*

* Prior to 2006, the smaller expenditure functions were grouped as other on this schedule.

(a) Beginning in FY 2006, the Administration of Justice function no longer included Community Supervision employees, who are currently considered employees of the State of Texas.

Note: As of February 28, 2009, it is estimated that approximately 2,728 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.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
RETIREMENT SYSTEM EMPLOYER CONTRIBUTIONS
Schedule 20
(Unaudited)

The employer contributions to the System by the County for the fiscal years 2005 through 2009 are summarized as follows:

	FY2009	FY2008	FY2007	FY2006	FY2005
Employer Contributions	$79,047,481	$75,944,968	$65,922,424	$60,990,625	$60,824,272

APPENDIX D

OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS

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APPENDIX D-1

OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS

Schedule D-1—Outstanding Toll Road Senior Lien Revenue Bonds

		Outstanding Principal Amount at June 30, 2009[1]
Harris County, Texas, Toll Road Senior Lien Revenue and Refunding Bonds, Series 2002		217,065,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 2004A		168,715,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 2004 B-1		211,220,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 2005A		22,740,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 2006A		135,530,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds, Series 2007A	274,075,000	
Series 2007B	145,570,000	419,645,000
Harris County, Texas, Toll Road Senior Lien Revenue and Refunding Bonds, Series 2008B		324,475,000
Harris County, Texas Toll Road Senior Lien Revenue Bonds, Series 2009A		215,455,000
Harris County, Texas Toll Road Senior Lien Revenue and Refunding Bonds, Series 2009B		199,915,000
TOTAL		1,914,760,000

(1) Adjusted to include the Bonds.

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APPENDIX D-2

OUTSTANDING TOLL ROAD UNLIMITED TAX AND SUBORDINATE LIEN REVENUE BONDS

Schedule D-2—Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds

	Outstanding Principal Amount at June 30, 2009
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1994A	51,610,000
Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1995A	500,000
Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1997	26,755,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Forward Refunding Bonds, Series 2001	120,740,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2002	42,260,000
Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2003	25,720,000
Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2007C	321,745,000
Harris County, Texas Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2008A	6,240,000
TOTAL	665,570,000

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

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ANDREWS
ATTORNEYS KURTH LLP

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August __, 2009

WE HAVE ACTED as Bond Counsel for Harris County, Texas (the "County"), in connection with an issue of bonds (the "Bonds") described as follows:

> HARRIS COUNTY, TEXAS, TOLL ROAD SENIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2009B, dated August 1, 2009, in the aggregate principal amount of $199,915,000 maturing on August 15, 2021. The Bonds are issuable in fully registered form only, in denominations of $5,000 or integral multiples thereof (while in a Long Term Interest Rate Period), bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds, the order (the "Order") adopted by the Commissioners Court of the County authorizing their issuance, a Second Amended and Restated Toll Road Senior Lien Revenue Bond Trust Indenture, dated as of August 6, 2008, and amendments and supplements thereto, including a Twenty-Seventh Supplemental Indenture, dated as of July 1, 2009 (together, the "Indenture"), between the County and The Bank of New York Mellon Trust Company, National Association, in its capacity as Trustee.

WE HAVE ACTED as 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 and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds, as described in the Order and the Indenture. The transcript contains certain certifications and representations and other material facts within the knowledge and control of the County, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. T-1.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. 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 sale of the Bonds. Our role in connection with the County's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

> (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the County enforceable in accordance with the terms and conditions thereof and of the Order and the Indenture and entitled to the benefits thereof, except to the extent that the rights and remedies of

Austin Dallas Houston London Los Angeles New York The Woodlands Washington, DC

the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law;

(2) The Bonds are payable, both as to principal and interest, from a pledge of and lien on the Trust Estate (as defined in the Indenture);

(3) The Order has been duly adopted and the Indenture has been duly authorized, executed and delivered by the County, each is in full force and effect and constitutes a legal, valid and binding obligation of the County;

(4) The Indenture creates a valid pledge of and lien on the Trust Estate, subject only to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth therein; and

(5) The deposit with the paying agent for the Refunded Bonds pursuant to the Order and the Indenture constitutes the defeasance of the Indenture with respect to the Refunded Bonds and the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Certificate (defined below); the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of the Trust Estate with respect to the Refunded Bonds as set forth in the Indenture are appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held for that purpose by the paying agent for the Refunded Bonds pursuant to the terms of the Indenture and the Paying Agent/Registrar Agreement for the Refunded Bonds; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds deposited with the paying agent for the Refunded Bonds.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, subject to the restrictions hereinafter described, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law and is not subject to the alternative minimum tax on individuals or corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted in the Indenture to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

EXCEPT AS DESCRIBED ABOVE, we express no opinion as to any federal, state or local tax consequences under present law, or future legislation, resulting from the ownership of, receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who are deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualified for the earned income tax credit. For the foregoing reasons, prospective purchasers should consult their tax advisors as to the consequences of investing in the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX F

CONTINUING DISCLOSURE SCHEDULES

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APPENDIX F

CONTINUING DISCLOSURE SCHEDULES

Schedule 1	THE TOLL ROAD PROJECT — Traffic Count Table
Schedule 2	THE TOLL ROAD PROJECT —Toll Rate Schedule
Schedule 3	TOLL ROAD FINANCIAL INFORMATION — Selected Financial Information
Schedule 4	TOLL ROAD FINANCIAL INFORMATION — Historical Toll Road Project Operating Results and Coverages
Schedule 5	TOLL ROAD FINANCIAL INFORMATION — Revenues By Toll Component/Segment
Schedule 6	TOLL ROAD FINANCIAL INFORMATION — Toll Road Bonds Debt Service Requirements
APPENDIX D-1	OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS
APPENDIX D-2	OUTSTANDING TOLL ROAD UNLIMITED TAX AND SUBORDINATE LIEN REVENUE BONDS

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APPENDIX G

THE DEPOSITORY TRUST COMPANY

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APPENDIX G

THE DEPOSITORY TRUST COMPANY

The information in this section concerning DTC and its book-entry system has been obtained from DTC. The County believes such information to be reliable, but the County takes no responsibility for the accuracy or completeness thereof.

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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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 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 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the applicable 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest 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, on payable dates 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 nor its nominee, the County or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County and the Paying Agent/Registrar. 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 transfers through DTC (or a successor securities depository) under the circumstances set forth in the Orders. In that event, Bond certificates will be printed and delivered.

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

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COMMISSIONERS COURT OF HARRIS COUNTY

County Judge	Ed Emmett
Commissioner, Precinct 1	El Franco Lee
Commissioner, Precinct 2	Sylvia R. Garcia
Commissioner, Precinct 3	Steve Radack
Commissioner, Precinct 4	Jerry Eversole

CERTAIN OTHER ELECTED OFFICIALS

County Assessor and Collector of Taxes	Leo Vasquez
County Attorney	Vince Ryan
County Clerk	Beverly B. Kaufman
County Treasurer	Orlando Sanchez
District Clerk	Loren Jackson

CERTAIN APPOINTED OFFICIALS AND EMPLOYEES

County Budget Officer	Richard L. Raycraft, Ph.D.
County Auditor	Barbara J. Schott, C.P.A.
Director of Financial Services	Edwin Harrison, CIO