

# **Harris County Toll Road Authority Enterprise Fund**

**A Department of Harris County, Texas**

**Basic Financial Statements**



For The Fiscal Year Ended

February 28, 2006

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

*Financial Statements As of February 28, 2006  
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, 2006**

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## INDEPENDENT AUDITORS' REPORT

County Judge Robert Eckels and Members of  
Commissioner's 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, 2006, and the related statements of revenues, expenses, and changes in net assets and 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 audits.

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 respective 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 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 the financial statements, the basic financial statements referred to above present only the financial position and results of operations of the Toll Road Authority and are not intended to present the financial position and results of operations of Harris County, Texas, in conformity with accounting principles generally accepted in the 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, 2006, 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 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

*Deloitte & Touche LLP*

July 27, 2006

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***

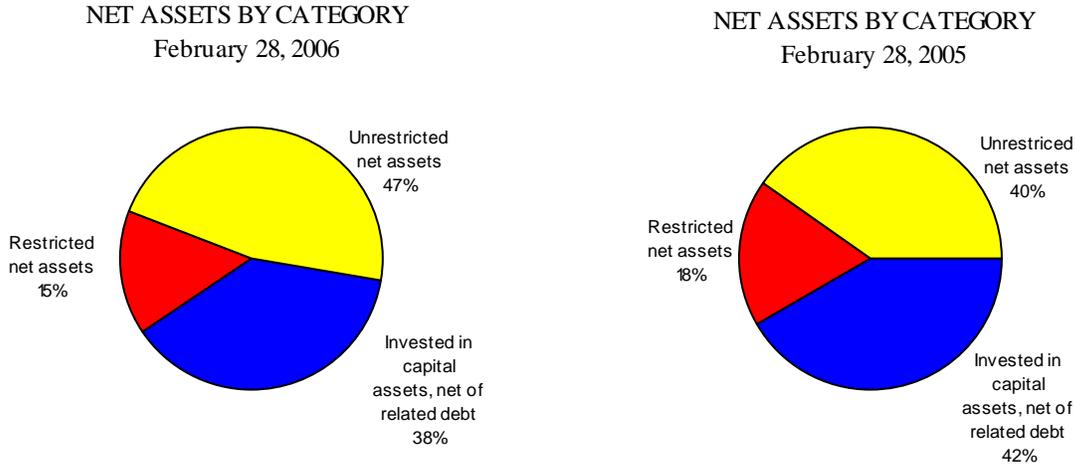
This section of the Toll Road Enterprise Fund of Harris County financial statements presents management's discussion and analysis ("MD&A") of the financial performance of the Harris County Toll Road Authority ("Authority") during the fiscal year ended February 28, 2006.

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 the operations and activities of Authority 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 2006, the Authority issued \$207,765,000 in refunding revenue bonds with related debt service financed through toll revenues. Note 7 to the financial statements provide further details on the new debt issuances.
- Construction of the I-10 corridor continues. On December 17, 2002, Harris County Commissioners Court approved a cooperative agreement between Harris County (acting through the Harris County Toll Road Authority), the Texas Department of Transportation and the Federal Highway Administration that allows for four managed lanes to be designed, built, operated, monitored, and maintained within the limits of Interstate Highway 10 from west of State Highway 6 to Interstate Highway 610. The total distance is approximately 12 miles and tolls for usage of the managed lanes will be determined using peak period pricing. The Authority's financial commitment for this project is \$237,500,000 to be paid over a five-year period. One payment of \$37,500,000 was made in fiscal year 2004 and two payments totaling \$50,000,000 have been made in the current fiscal year for a total of \$87,500,000.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, a deficit of \$421,456,777 include 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 decreased from 42% to 38% of total net assets from the previous year. There was an decrease in related debt, net of unspent proceeds, of \$88,660,837, while capital assets increased by \$45,314,647, causing an overall decrease in capital assets net of related debt of \$43,346,190.
  - (2) Net assets of \$170,577,239 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets decreased from 18% to 15% of total net assets, but increased by \$6,324,673 from the prior year due to an increase in the debt service reserve.
  - (3) Unrestricted net assets of \$524,387,822 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets increased from 40% to 47% of total net assets due to an overall increase in toll revenues.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***



**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

***Financial Statements*** for the Authority include the Statement of Net 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 on pages 14 through 31 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The total net assets of the Authority exceeded liabilities at February 28, 2006 by \$273,508,284 and \$150,732,249 for fiscal year ended 2005. Net assets increased primarily due to an increase in Toll Revenues and an increase in capital assets.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***

**Harris County Toll Road Enterprise Fund  
Condensed Statement of Net Assets  
February 28, 2006 and February 28, 2005  
(Amounts in thousands)**

	<u>2006</u>	<u>2005</u>
Current restricted assets	\$ 753,090	\$ 597,885
Capital assets, net	1,538,422	1,493,107
Other non-current assets	109,301	57,039
Total assets	<u>2,400,813</u>	<u>2,148,031</u>
Current liabilities - restricted	127,727	140,624
Non-current liabilities	1,999,578	1,856,675
Total liabilities	<u>2,127,305</u>	<u>1,997,299</u>
Net assets:		
Invested in capital assets, net of related debt	(421,457)	(378,111)
Restricted net assets	170,577	164,253
Unrestricted net assets	524,388	364,590
Total net assets	<u>\$ 273,508</u>	<u>\$ 150,732</u>

The largest portion of the Authority's current fiscal year net assets, 47%, 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, 38%, 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, net of unspent proceeds, of \$88,660,837, while capital assets increased by \$45,314,647, causing an overall decrease in capital assets net of related debt of \$43,346,190. 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, 15%, 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.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***

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

	<u>2006</u>	<u>2005</u>
Revenues:		
Operating revenues:		
Toll revenue	\$ 349,341	\$ 317,712
Lease revenue	1,001	-
Nonoperating Revenues:		
Investment income	19,800	6,318
Total revenues	<u>370,142</u>	<u>324,030</u>
Expenses:		
Operating Expenses:		
Salaries	28,772	25,853
Materials and supplies	7,265	2,732
Services and fees	28,749	26,410
Utilities	2,288	1,949
Transportation and travel	526	437
Depreciation	51,818	42,913
Nonoperating Expenses:		
Interest expense	97,189	96,222
Amortization expense	13,643	13,138
Arbitrage penalty	-	3,600
Loss on disposal of capital assets	5	104
Total expenses	<u>230,255</u>	<u>213,358</u>
Income before contributions and transfers	139,887	110,672
Contributions	3,130	12,523
Transfers out	<u>(20,241)</u>	<u>(20,130)</u>
Change in net assets	122,776	103,065
Net assets - beginning	150,732	47,667
Net assets - ending	<u>\$ 273,508</u>	<u>\$ 150,732</u>

***Revenues and Contribution***

Total revenues and contributions for fiscal year 2006 were \$373,271,267, an increase of \$36,718,577 (or 11%) in revenues and contribution from fiscal year 2005 of \$336,552,690.

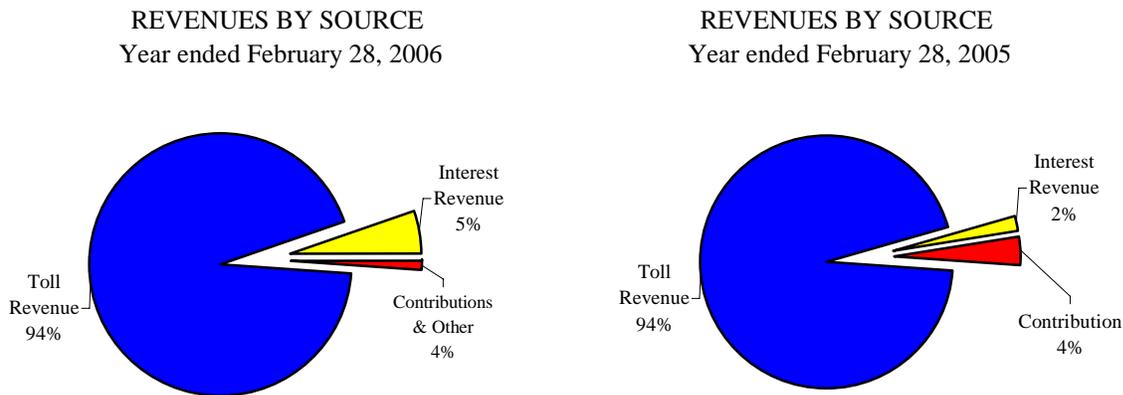
The largest revenue source is toll revenue of \$349,341,225 or 94% of total revenues and contributions. This revenue category increased 10% or \$31,628,980 from fiscal year 2005. This is primarily due to the Westpark Tollway being in operation for the full year and the opening of Spur 90A (partially in March 2005 and fully in November 2005).

Contributions and other revenues totaled \$4,130,460 or 4% of total revenues and contributions. Contributions of \$3,129,512 for fiscal year 2006 decreased \$9,392,994 compared to fiscal year 2005

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***

contributions of \$12,522,506. This is due to a smaller contribution of Federal and State funding on toll road projects based on the projects' percentages of completion. Other revenue consists of lease revenue of \$1,000,948 and is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2006 totaled \$19,799,582 and comprises 5% of total revenues and contributions. This revenue source increased \$13,481,643 from fiscal year 2005 of \$6,317,939. The increase is attributable to higher interest rates and larger investment balances.



***Expenses***

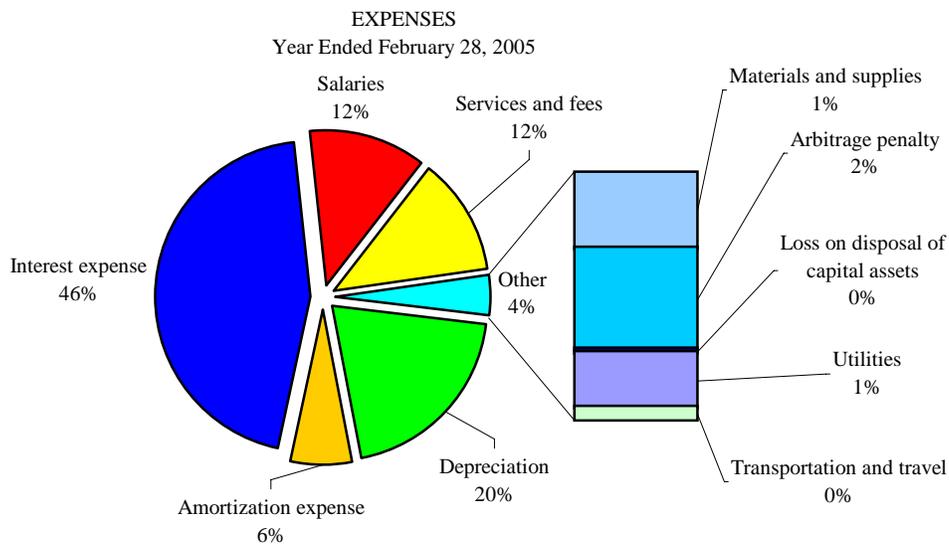
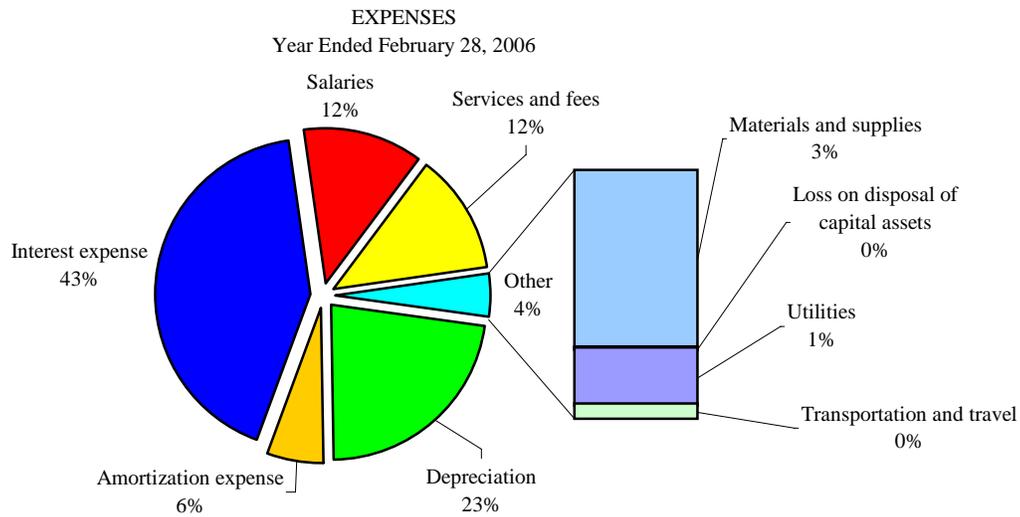
For fiscal year ended February 28, 2006, expenses totaled \$230,254,202, and increased \$16,896,578 from fiscal year 2005 of \$213,357,624.

Interest expense of \$97,189,289 is the Authority's largest expense category and is 43% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

\$10,084,417 or 4% of total expenses represents other expenses and consists of outlays relative to materials and supplies, utilities, loss on capital assets disposals, and transportation and travel. This expense category increased by \$1,263,457 from fiscal year 2005 of \$8,820,960. There was an increase of \$4,533,184 in materials and supplies, due to an adjustment to the Authority's EZ tag inventory. The current year did not have any arbitrage penalty, when the prior year had an arbitrage penalty of 3,599,720. The remaining difference in the other expense category consists of increases in utilities and transportation and travel expenses and a decrease in loss on disposal of capital assets.

The remaining 53% of expenses consisted of salaries (12%), service fees (12%), depreciation (23%) and amortization expense (6%). All of these expense categories were comparable to the prior year.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***



***Transfers Out***

The largest component of transfers out was a \$20 million annual allocation in the amount of \$5 million per precinct, to fund non-toll County roads that connect or enhance the traffic flow to toll road facilities. The remaining \$241,030 was for payments to the Harris County Radio Operations fund and Harris County Risk Management fund for services provided.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

The Authority's capital assets, net of accumulated depreciation as of February 28, 2006 and February 28, 2005, amounted to \$1,538,422,107 and \$1,493,107,460, respectively. These capital assets include land, buildings, equipment, and infrastructure. The Authority's capital assets increased \$45,314,647 or 3% over fiscal year 2005.

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

	<b>Balance</b>	<b>Balance</b>
	<b>February 28, 2006</b>	<b>February 28, 2005</b>
Land	\$ 351,466	\$ 366,091
Right-of-way	248,540,448	241,022,059
Construction in progress	154,607,468	276,453,448
System integration in progress	11,953,380	12,348,785
Land improvements	694,561	694,561
Infrastructure	1,682,805,435	1,471,748,408
Other tangible assets	3,414,800	514,250
Buildings	18,224,819	17,799,468
Equipment	8,307,542	11,083,166
	<u>2,128,899,919</u>	<u>2,032,030,236</u>
Less: Accumulated depreciation	(590,477,812)	(538,922,776)
Totals	<u>\$ 1,538,422,107</u>	<u>\$ 1,493,107,460</u>

***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 \$2,067,551,638. This represents a \$135,568,741 increase from last fiscal year, primarily due to issuance of Senior Lien Revenue Refunding Bonds, Series 2005A of \$207,765,000. Refer to Note 7 to the financial statements for further detail on the Authority's long-term debt.

	<b>Outstanding at</b>	<b>Outstanding at</b>
	<b>February 28, 2006</b>	<b>February 28, 2005</b>
Bonds payable	\$ 2,054,159,113	\$ 1,878,206,023
Commercial paper payable	-	39,960,000
Judgments payable	12,723,000	13,223,000
Compensatory time payable	669,525	593,874
Totals	<u>\$ 2,067,551,638</u>	<u>\$ 1,931,982,897</u>

**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

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2006  
(Unaudited)***

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.
- Harris County’s economy continues to grow. Real oil prices are near historically high levels and the Gross Domestic Product has posted 18 consecutive quarters of growth. Harris County has also experienced steady population growth at a 1.85% compounded annually since 1990.

**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)755-4832, or visit the County’s website at [www.co.harris.tx.us](http://www.co.harris.tx.us).



**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**FEBRUARY 28, 2006**

**ASSETS**

Current restricted assets:

Cash and cash equivalents	\$	73,992,074
Investments		660,789,954
Receivables, net		2,489,813
Accrued interest receivable		3,649,064
Other receivables, net		4,009,983
Inventories		7,031,473
Prepays and other assets		1,127,591
Total current restricted assets		753,089,952

Non-current assets:

Capital Assets:

Land and construction in progress		415,452,762
Other capital assets, net of depreciation		1,122,969,345
Intangible		87,500,000
Deferred charges, net of amortization		21,800,919
Total non-current assets		1,647,723,026
Total assets		2,400,812,978

**LIABILITIES**

Current liabilities - payable from restricted assets:

Vouchers payable		16,934,978
Accrued payroll and compensated absences		2,432,247
Retainage payable		3,190,931
Customer deposits		15,965,815
Due to primary government		51,390
Due to other units		729,527
Deferred revenue		20,970,398
Current portion of long-term liabilities		67,451,943
Total current liabilities		127,727,229

Non-current liabilities:

Bonds payable		1,986,707,170
Judgements payable		12,723,000
Compensatory time payable		147,295
Total non-current liabilities		1,999,577,465
Total liabilities		2,127,304,694

**NET ASSETS**

Invested in capital assets, net of related debt		(421,456,777)
Restricted for capital projects		42,037,703
Restricted for debt service		128,539,536
Unrestricted		524,387,822
Total net assets	\$	273,508,284

*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, 2006**

<b>OPERATING REVENUE</b>	
Toll revenue	\$ 349,341,225
Lease revenue	1,000,948
Total operating revenue	<u>350,342,173</u>
<b>OPERATING EXPENSES</b>	
Salaries	28,771,452
Materials and supplies	7,265,279
Services and fees	28,748,034
Utilities	2,288,230
Transportation and travel	525,709
Depreciation	51,818,107
Total operating expenses	<u>119,416,811</u>
Operating income	<u>230,925,362</u>
<b>NONOPERATING REVENUES</b>	
Investment income	19,799,582
Total nonoperating revenues	<u>19,799,582</u>
<b>NONOPERATING EXPENSES</b>	
Interest expense	97,189,289
Amortization expense	13,642,903
Loss on disposal of capital assets	5,199
Total nonoperating expenses	<u>110,837,391</u>
Income before contributions and transfers	139,887,553
Contributions	3,129,512
Transfers out	<u>(20,241,030)</u>
Change in net assets	122,776,035
Net assets, beginning of year	150,732,249
Net assets, end of year	<u><u>\$ 273,508,284</u></u>

*See notes to financial statements.*

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from toll	\$ 355,460,856
Payments to employees	(28,415,098)
Payments to vendors	(41,798,961)
Internal activity - net receipts from other funds	20,783
Net cash provided by operating activities	<u>285,267,580</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Contribution from other entity	211,399
Transfers to other funds	(20,241,030)
Net cash used for noncapital financing activities	<u>(20,029,631)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of capital assets	(94,802,483)
Purchases of intangible assets	(50,000,000)
Principal and escrow paid on capital debt	(185,610,503)
Interest paid on capital debt	(93,392,386)
Proceeds from capital debt	300,244,240
Bond issuance cost	(2,171,495)
Net cash used for capital and related financing activities	<u>(125,732,627)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(604,551,686)
Proceeds from sale and maturity of investments	508,513,307
Interest received	16,796,191
Net cash used for investing activities	<u>(79,242,188)</u>

Net change in cash and cash equivalents 60,263,134

Cash and cash equivalents, beginning	13,728,940
Cash and cash equivalents, ending	<u>\$ 73,992,074</u>

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

Operating income	\$ 230,925,362
Adjustments to operations:	
Depreciation	51,818,107
Changes in assets and liabilities:	
Receivables, net	887,683
Prepays and other assets	1,222,490
Inventories	2,061,731
Vouchers payable and accrued liabilities	(3,563,713)
Retainage payable	(4,965,490)
Due to other units	547,612
Other liabilities	2,074,278
Deferred revenue	4,231,000
Compensatory time payable	28,520
Net cash provided by operating activities	<u>\$ 285,267,580</u>

**Noncash operating, capital and related financing and investing activities**

Capital contribution received from other governments	\$ 2,918,113
Decrease in the fair market value of investments	1,506,404

*See notes to financial statements.*

# **BASIC FINANCIAL STATEMENTS**

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

**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 13, 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 and the Sam Houston 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. 40, *Deposits and Investment Risk Disclosures – an amendment of GASB 3* (“GASB 40”), which addresses common deposit and investment risks related to credit risks, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair market values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. Implementation of GASB 40 did not have an impact on the Authority’s financial statements for the year ended February 28, 2006, but required additional disclosures (see Note 2) related to deposits and investment risks.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* (“GASB 42”), establishes standards that define capital asset impairment and specifies how various types of impairment losses will be measured, reported and disclosed. It also clarifies and establishes reporting and disclosure of all insurance recoveries. Implementation of GASB 42 did not have an impact on the Authority’s financial statements for the year ended February 28, 2006.

**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.

**Enterprise Fund** – 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

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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, 2006, 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 as of February 28, 2006 multiplied by the weighted average unit price per tag.

***Capital Assets*** – Capital assets include land, 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 was 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

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capitalization increased the total cost of assets constructed by the Toll Road Project by \$1,716,506 during fiscal year 2006.

**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 reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2006 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 and retirees. The Authority pays the full cost of employee and retiree 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 Risk Management Internal Service 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.

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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 sick leave hours. Unused sick leave benefits are not paid at termination. Employees with more than one year of service accrue from two to four weeks of vacation per year, depending on years of service. Unused vacation benefits lapse at calendar year end and upon termination except for exempt employees who may convert such benefits to compensatory time, subject to the 240-hour maximum. A liability for vacation earned, but not taken, has been recorded.

Nonexempt employees earn compensatory time at one-and-a-half times their full pay times the excess of 40 hours 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, compensatory time is calculated at the current rate of pay. Exempt employees earn compensatory time at one times their full pay times the excess of 40 hours worked. 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 current wage rate. Compensatory time is carried forward indefinitely. Accordingly, a liability for compensatory time earned has been recorded.

*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, 2006, the carrying amount of the Authority's demand and time deposits was \$5,237,486 and the balance per various financial institutions was \$90,616. 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

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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 US 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 US.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA 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 that the County has obtained a signed master repurchase agreement with the company into which the agreement is entered, 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 cash and investments held by the Authority at February 28, 2006.

	<b>Totals</b>
Cash and Cash Equivalents	\$ 73,992,074
Investments	660,789,954
<b>Total Cash &amp; Investments</b>	<b>734,782,028</b>

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The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2006, 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
<i>US Agency Notes</i>					
FFCB	\$ 11,907,600	1.63%	\$ 12,000,000	0.041	AAA/Aaa
FHLB	170,373,459	23.35%	172,100,000	0.309	AAA/Aaa
FHLMC	266,072,091	36.47%	269,939,000	0.303	AAA/Aaa
FNMA	168,418,271	23.09%	170,346,000	0.303	AAA/Aaa
<i>Commercial Paper</i>					
AGFC	16,117,589	2.21%	16,150,000	0.001	A-1/P-1
AMEX	1,665,131	0.23%	1,690,000	0.001	A-1/P-1
GECC	31,365,186	4.30%	31,400,000	0.001	A-1+/P-1
TMCC	5,892,758	0.81%	5,900,000	0.000	A-1+/P-1
<i>Local Governments</i>					
Chicago, Illinois	2,950,561	0.40%	3,000,000	0.003	AAA/Aaa
Indiana BD BK	2,657,128	0.36%	2,675,000	0.001	AAA/Aaa
Philadelphia, Pennsylvania	2,339,285	0.32%	2,375,000	0.004	AAA/Aaa
State of Texas	8,900,386	1.22%	8,960,000	0.004	AA/Aa2
<i>Money Market Funds</i>					
AIM STIT Treasury Portfolio	11,590,622	1.59%	11,590,622	N/A	AAAam/Aaa
Fidelity Institutional-Tax Exempt	29,294,475	4.02%	29,294,475	N/A	AAAam/Aaa
Total Investments & Cash Equivalents	729,544,542	100.00%	\$ 737,420,097	0.971	
<i>Demand and Time Deposits</i>	5,237,486				
<b>Total Cash &amp; Investments</b>	<b>\$ 734,782,028</b>				

***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, 2006, the Authority was in compliance with all of these guidelines to manage interest rate risk.

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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 AA 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, 2006, 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 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	373,426,000	277
Toll Road Debt Service	Matching	270	109,163,000	158
Toll Road Renewal/Replacement	Matching	1,800	160,973,000	535
Toll Road Bond Reserve	Matching	1,800	22,973,000	1,232
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	30,000,000	864
Money Market Mutual Funds	N/A	N/A	40,885,097	N/A
			\$ 737,420,097	

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**3. OTHER RECEIVABLES**

Other receivables as of February 28, 2006 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$4,009,983 is reported net of allowance for doubtful accounts of \$16,384,352. As of August 2004, the Authority entered into an agreement with Linbarger, Goggan, Blair & Sampson, L.L.P. to provide collection services in the place of the county attorney. The fee per invoice is \$50.00 and is included in the receivables balance.

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 \$20,970,398 in deferred revenues for unearned EZ tag revenues.

**4. PREPAIDS AND OTHER ASSETS**

Other assets as of February 28, 2006 are comprised of the following:

Prepaid surety expense	\$ 678,464
Prepaid office expenses	40,077
Advance funding for Beltway 8 project	409,050
Total	\$ 1,127,591

Advance payments were given to TxDOT for the Authority’s funding participation for these projects. These advances are amortized and transferred to construction in progress based on the project percentage of completion.

**5. INTANGIBLE ASSET**

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 IH10 Katy Freeway. Under this agreement, the Authority will provide funding in the amount of \$237.5 million, net of \$12.5 million credit for design, construction, operation and maintenance of a Toll Facility. The Authority’s financial commitment for this project will be paid over a five-year period. As of February 28, 2006, three payments have been made for a total of \$87.5 million. The payments pay for the license to the real property within the limits of and for the right to operate 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 operations begin. The amortization will be based on revenues received. The Toll Facility will 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. The Toll Facility may revert to the State at any time after such full payment, subject to the State giving the County 90 days’ prior written notice.

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**6. CAPITAL ASSETS**

Capital asset activity for the year ended February 28, 2006 was as follows:

	Balance March 1, 2005	Additions	Deletions	Transfers	Balance February 28, 2006
Land	\$ 366,091	\$ -	\$ (14,625)	\$ -	\$ 351,466
Right of way	241,022,059	7,733,227	-	(214,838)	248,540,448
Construction in progress	276,453,448	84,902,083	-	(206,748,063)	154,607,468
System Integration in progress	12,348,785	3,030,564	-	(3,425,969)	11,953,380
Total capital assets not depreciated	<u>530,190,383</u>	<u>95,665,874</u>	<u>(14,625)</u>	<u>(210,388,870)</u>	<u>415,452,762</u>
Land improvements	694,561	-	-	-	694,561
Infrastructure	1,471,748,408	256,060	-	210,800,967	1,682,805,435
Other tangible assets	514,250	-	-	2,900,550	3,414,800
Buildings	17,799,468	-	-	425,351	18,224,819
Equipment	11,083,166	1,313,287	(81,046)	(4,007,865)	8,307,542
	<u>1,501,839,853</u>	<u>1,569,347</u>	<u>(81,046)</u>	<u>210,119,003</u>	<u>1,713,447,157</u>
Less accumulated depreciation for:					
Land improvements	(45,509)	(34,728)	-	-	(80,237)
Infrastructure	(531,375,562)	(50,181,393)	-	-	(581,556,955)
Other tangible assets	(137,133)	(102,850)	-	-	(239,983)
Buildings	(1,657,255)	(403,782)	-	-	(2,061,037)
Equipment	(5,707,317)	(1,095,354)	54,233	208,838	(6,539,600)
	<u>(538,922,776)</u>	<u>(51,818,107)</u>	<u>54,233</u>	<u>208,838</u>	<u>(590,477,812)</u>
Total capital assets being depreciated, net	<u>962,917,077</u>	<u>(50,248,760)</u>	<u>(26,813)</u>	<u>210,327,841</u>	<u>1,122,969,345</u>
Total capital assets, net	<u>\$ 1,493,107,460</u>	<u>\$ 45,417,114</u>	<u>\$ (41,438)</u>	<u>\$ (61,029)</u>	<u>\$ 1,538,422,107</u>

The \$61,029 balance in the transfers column, is due to assets that were transferred to Harris County funds.

**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 2005-2006 were as follows:

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	Outstanding March 1, 2005	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2006	Due Within Year
Senior Lien Revenue Bonds	\$ 1,106,830,000	\$ 207,765,000	\$ (19,920,000)	\$ 1,294,675,000	\$ 20,890,000
Tax Bonds	717,527,049	-	(6,105,251)	711,421,798	6,922,906
Total Bond Principal	1,824,357,049	207,765,000	(26,025,251)	2,006,096,798	27,812,906
Unamortized Discount, Rev. Series 1994A	(794)	-	794	-	-
Unamortized Discount, Rev. Series 1997	(1,424,721)	-	65,335	(1,359,386)	-
Unamortized Premium, Rev. Series 2002	8,309,190	-	(1,386,773)	6,922,417	-
Unamortized Premium, Rev. Series 2004A	6,191,913	-	(145,263)	6,046,650	-
Unamortized Premium, Rev. Series 2004B	38,458,915	-	(4,290,001)	34,168,914	-
Unamortized Discount, Rev. Series 2005A	-	(217,715)	1,967	(215,748)	-
Unamortized Premium, Rev. Series 2005A	-	8,827,543	(53,100)	8,774,443	-
Unamortized Premium, Tax Series 1991	11,438,163	-	(4,842,580)	6,595,583	-
Unamortized Premium, Tax Series 1992A	3,431,614	-	(1,261,608)	2,170,006	-
Unamortized Premium, Tax Series 1992B	1,113,111	-	(422,560)	690,551	-
Unamortized Premium, Tax Series 1994A	2,264,720	-	(335,192)	1,929,528	-
Unamortized Premium, Tax Series 1995A	20,642,578	-	(1,814,663)	18,827,915	-
Unamortized Premium, Tax Series 1997	3,859,675	-	(695,259)	3,164,416	-
Unamortized Premium, Tax Series 2001	1,297,905	-	(93,096)	1,204,809	-
Unamortized Premium, Tax Series 2002	2,097,146	-	(189,045)	1,908,101	-
Unamortized Discount, Tax Series 2003	(2,063,916)	-	(540,711)	(2,604,627)	-
Accretion of Discount - Compound Interest Bonds:					
Unlimited Tax Series 1991	48,235,337	7,953,930	(16,560,000)	39,629,267	16,018,050
Unlimited Tax Series 1992A and 1992B	26,025,148	4,084,436	(4,115,000)	25,994,584	9,720,866
Revenue Series 1994 A	10,473,531	1,314,232	(3,959,749)	7,828,014	4,024,298
Unlimited Tax Series 1995A	13,205,064	3,581,820	(7,390,000)	9,396,884	-
Unlimited Tax Series 1997	5,417,225	1,436,456	(1,190,000)	5,663,681	1,049,145
Deferred Amount on Refunding	(149,981,935)	-	12,531,570	(137,450,365)	-
Accrued Interest Payable	4,859,105	75,687,015	(71,719,442)	8,826,678	8,826,678
Total Bonds Payable	1,878,206,023	310,382,717	(134,429,627)	2,054,159,113	67,451,943
Commercial Paper Payable	39,960,000	85,040,000	(125,000,000)	-	-
Compensatory Time Payable	593,874	551,239	(475,588)	669,525	522,230
Judgments Payable	13,223,000	-	(500,000)	12,723,000	-
Totals-Toll Road Fund Debt	\$ 1,931,982,897	\$ 395,973,956	\$ (260,405,215)	\$ 2,067,551,638	\$ 67,974,173

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

**A. Outstanding Bonded Debt – February 28, 2006 – Pertinent Information by Issue**

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate Range %</u>	<u>Term Issue</u>	<u>Maturity Range</u>	<u>Outstanding Balance February 28, 2006</u>
<b><u>Senior Lien Revenue Bonds</u></b>					
Refunding Series 1997	\$ 65,550,000	3.85-5.125	1997	1997-2024	\$ 63,245,000
Refunding Series 2002	397,520,000	5.00-5.375	2002	2003-2032	392,145,000
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	462,805,000
Refunding Series 2005A	207,765,000	4.50-5.25	2005	2026-2030	207,765,000
Total Principal Senior Lien Revenue Bonds					1,294,675,000
Unamortized Premiums and Discounts					54,337,290
Total Senior Lien Revenue Bonds					<u>\$ 1,349,012,290</u>
<b><u>Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)</u></b>					
Refunding Series 1991 - CAB	\$ 6,095,000	6.95-7.25	1991	2001-2008	\$ 2,220,000
Refunding Series 1992A - CAB	13,820,000	5.80-6.80	1992	1997-2008	4,570,000
Refunding Series 1992B - CAB	3,100,000	5.80-6.80	1992	1997-2008	752,488
Refunding Series 1994 A	59,925,000	6.50-8.00	1994	2008-2024	59,925,000
Refunding Series 1994A - CAB	30,881,713	5.70-6.25	1994	2001-2007	7,359,310
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	150,395,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	1,200,000
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	2009-2014	42,260,000
Refunding Series 2003	321,500,000	3.50-5.00	2003	2009-2033	321,500,000
Total Tax Bonds					711,421,798
Unamortized Premiums and Discounts					33,886,282
Accretion of Discount - Compound Interest Bonds					88,462,430
Total Tax Bonds					<u>\$ 833,770,510</u>

**B. Covenants and Conditions**

The Senior Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds. The Authority has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 4.68 of February 28, 2006.

**C. Debt Service Requirements**

Total interest expense was \$97,189,289 for the fiscal year. The following are the debt service requirements for bonds payable:

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
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Fiscal Year	Principal At 2/28/2006	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2007	\$ 27,812,906	\$ 30,812,359	\$ 58,625,265	\$ 137,532,559	\$ 196,157,824
2008	29,068,227	26,081,295	55,149,522	133,094,858	188,244,380
2009	36,255,665	19,052,523	55,308,188	127,385,471	182,693,659
2010	68,750,000	3,901,842	72,651,842	107,315,723	179,967,565
2011	76,885,000	3,157,987	80,042,987	103,192,944	183,235,931
2012-2016	469,445,000	5,456,424	474,901,424	415,190,059	890,091,483
2017-2021	438,045,000	-	438,045,000	273,114,947	711,159,947
2022-2026	267,185,000	-	267,185,000	179,394,129	446,579,129
2027-2031	249,920,000	-	249,920,000	120,606,560	370,526,560
2032-2035	342,730,000	-	342,730,000	46,695,382	389,425,382
Total	<u>\$ 2,006,096,798</u>	<u>\$ 88,462,430</u>	<u>\$ 2,094,559,228</u>	<u>\$ 1,643,522,632</u>	<u>\$ 3,738,081,860</u>

**D. Unissued Authorized Bonds**

In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County's traffic problems by authorizing the County to issue up to \$900,000,000 of bonds secured by a pledged of its unlimited ad valorem taxing power. As of February 28, 2006, 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, 2006, the outstanding principal balance of these defeased bonds was \$1,518,902,000.

**F. Refunding**

On October 13, 2005, the County issued \$207,765,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2005A to refund all or a portion of the County's outstanding Toll Road Senior Lien Revenue Commercial Paper Notes, Series E, to provide for the capitalized interest on the bonds, to satisfy the increase in Debt Service Reserve Fund requirement and to pay costs incurred in connection with the issuance of the bonds. The annual interest rates range from 4.5% to 5.25%. The issuance had a premium of \$8,609,828. Interest accrues semiannually and the bonds mature in fiscal year 2035. There was no economic gain or loss due to the refunding of commercial paper.

**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, 2006, 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.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

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 Notes will have a maximum maturity date of August 15, 2031 and no Series E Note shall (i) mature after the maximum maturity date, (ii) have a term in excess of 270 days, (iii) have a term beyond the third business day prior to the scheduled expiration date for the credit agreement relating to such Series E Note or (iv) be issued at any time that a “no issuance notice” has been issued by the credit provider pursuant to the credit agreement which provides that such Series E Note would not be entitled to the security provided by the credit agreement.

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 27, 2007, which is the date of expiration. For this agreement, the County will be assessed a fee of .12% 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 181<sup>st</sup> 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 following is a schedule of changes in commercial paper for the year ended February 28, 2006:

<u>Balance</u> <u>March 1, 2005</u>	<u>Issued</u>	<u>Retired/ Refunded</u>	<u>Balance</u> <u>February 28, 2006</u>	<u>Due Within</u> <u>One Year</u>
\$ 39,960,000	\$ 85,040,000	\$ (125,000,000)	\$ -	\$ -

**8. COMPENSATED ABSENCES PAYABLE**

Changes in long-term compensated absences for the year ended February 28, 2006 were as follows:

<u>Balance</u> <u>March 1, 2005</u>	<u>Earned</u>	<u>Taken/ Paid</u>	<u>Balance</u> <u>February 28, 2006</u>	<u>Due Within</u> <u>One Year</u>
\$ 593,874	\$ 551,239	\$ (475,588)	\$ 669,525	\$ 522,230

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
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**9. SHORT-TERM NOTE PAYABLE**

Promissory Notes

The County authorized a promissory note for the purchase of property in connection with the Fort Bend Parkway Extension Phase II Project. The note is non-interest bearing and is due in full by August 31, 2005. The liability is recorded in the toll road fund as a short term note payable.

Activity for the year ended February 28, 2006, was as follows:

	<u>Outstanding March 1, 2005</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding February 28, 2006</u>
Business-type Activities				
Promissory Notes	\$ 3,860,000	\$ -	\$ (3,860,000)	\$ -

**10. RETIREMENT PLAN**

**Plan Description** - 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 Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 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 employer are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2006 is 9.81%. The contribution rates for calendar years 2005 and 2004 were 10.05% and 10.53%, 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 or 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

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
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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 10.05% for the months of the accounting year in 2005, and 9.81% for the months of the accounting year in 2006.

The contribution rate payable by the employee members for 2006 and 2005 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.

**Annual Pension Cost** - For the County's accounting year ended February 28, 2006, the annual pension cost for the TCDRS plan for its employees, including the Authority, was \$60,990,625 and the actual contributions for the Authority were \$2,093,442.

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, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2005 and 2006. The December 31, 2005 report is the most recent valuation.

<b>Actuarial Valuation Method</b>			
Actuarial Valuation Date	12/31/03	12/31/04	12/31/05
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period in years	20	20	20
Asset Valuation Method	Long-term appreciation with adjustments	Long-term appreciation with adjustments	Long-term appreciation with adjustments
Actuarial Assumption:			
Investment return (1)	8.0%	8.0%	8.0%
Projected salary increases (1)	5.5%	5.5%	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			

<b>Harris County Trend Information</b>			
Accounting Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/2006	\$60,990,625	100%	0
2/28/2005	\$60,824,272	100%	0
2/29/2004	\$56,659,405	100%	0

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

<b>Schedule of Funding Progress</b>			
Actuarial Valuation Date	12/31/03	12/31/04	12/31/05
Actuarial Value of Assets	\$1,640,964,686	\$1,789,864,440	\$1,950,248,224
Actuarial Accrued Liability (AAL)	\$1,848,669,873	\$2,005,039,645	\$2,157,877,524
Unfunded Actuarial Accrued Liability (UAAL)	\$207,705,187	\$215,175,205	\$207,629,300
Funded Ratio	88.76%	89.27%	90.38%
Annual Covered Payroll (Actuarial)	\$570,304,250	\$623,386,613	\$631,353,087
UAAL as Percentage of Covered Payroll	36.42%	34.52%	32.89%

**11. POST EMPLOYMENT BENEFITS**

In addition to providing pension benefits described herein, the County provides certain retirement health care and life insurance benefits for retired employees. The authority under which the provision and obligation to contribute were established is the Commissioner's Court. County regulations allow all County employees to become eligible for these benefits after meeting the service and retirement age requirements of the County's retirement plan. These requirements, which were modified effective January 1, 1996, require 30 years of service, or 8 years of service and 60 years of age, or years of service plus age equal to 75 or more. The County pays 100% of the cost of medical and life insurance coverage for retirees. The Authority recognizes expenses for retirement benefits as paid, which during the fiscal year approximated \$187,478. Presently, 37 retirees qualify for retirement benefits.

**12. COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of \$116,607,378.

**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. Total liabilities of \$12,723,000 for Judgments Payable have been recorded in the basic financial statements as a restricted long term liability.

**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. The Authority's construction and operation of toll road facilities within the Westpark Corridor will necessitate Metro's

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

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 Authority has agreed to make escrow funds available to Metro for payment of such future increased costs.

**13. TRANSFERS**

On April 18, 2001, the Commissioners Court approved a \$20 million annual allocation for funding of a County thoroughfare program to enhance the traffic flow to current or proposed toll facilities. This allocation is available for each precinct in the equal amount of \$5 million.

**14. REVENUE LEASES**

The Authority is the lessor in several operating leases for office space. The leases will expire over the next 15 years. The buildings are carried at \$5,695,744 with accumulated depreciation of \$236,836 for a net investment in the property of \$5,458,908. The following is a schedule of years of minimum future rentals on non-cancelable operating leases of February 28, 2006:

<u>Fiscal year</u>	
2007	\$ 1,176,727
2008	901,327
2009	553,677
2010	403,567
2011	403,566
2012-2016	2,017,833
2017-2021	514,903
2022-2026	21,790
Total minimum future rentals	<u>\$ 5,993,390</u>

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 \$10,725 in 2006.

**15. RECENT ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (“GASB 43”), establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The Authority will implement GASB 43 in fiscal year 2007.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an Amendment of NCGA Statement 1* (“GASB 44”), updates the statistical section requirements to include guidance for all types of state and local governments, improve the understandability, comparability, and usefulness in the statistical section of the CAFR, and assist users in assessing the state or local government’s economic condition. GASB 44 will be implemented by the Authority in fiscal year 2007.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (“GASB 45”), establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Authority will implement GASB 45 in fiscal year 2008.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB 34* (“GASB 46”), clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. GASB 46 states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing legislation or if legal enforceability is reevaluated. Finally, GASB 46 requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The Authority will implement this statement in fiscal year 2007.

GASB Statement No. 47, *Accounting for Termination Benefits* (“GASB 47”), establishes accounting standards for termination benefits (voluntary and involuntary). GASB 47 will be implemented by the Authority in fiscal year 2007.



## **OTHER INFORMATION**

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**

**Traffic Count Table**

**Schedule 1**

**(Unaudited)**

<b>Component/Segment</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Hardy Toll Road-North	16,721,309	17,285,931	13,954,415	14,052,770	14,632,226
Hardy Toll Road-South	18,346,235	19,441,493	18,244,116	18,462,284	19,010,977
Sam Houston Tollway-South	61,651,196	64,600,687	63,934,602	61,531,417	63,197,673
Sam Houston Tollway-Central	48,824,294	50,748,154	49,927,899	51,591,528	55,090,689
Sam Houston Tollway-North	53,195,443	54,656,358	55,729,264	57,044,397	62,488,975
Sam Houston Ship Channel Bridge	10,681,677	10,512,330	10,768,735	10,845,442	12,396,189
Sam Houston Tollway-East	16,578,930	17,226,477	17,367,515	16,510,758	18,362,289
Sam Houston Tollway-South/East	22,781,783	23,826,384	23,998,665	23,929,678	25,702,415
Sam Houston Tollway-South/West	28,981,098	30,782,589	30,940,703	30,545,303	32,782,866
Westpark Tollway (a)	-	-	-	12,723,902	30,329,845
Spur 90A (b)	-	-	-	-	1,241,962
<b>Total</b>	<b>277,761,965</b>	<b>289,080,403</b>	<b>284,865,914</b>	<b>297,237,479</b>	<b>335,236,106</b>

(a) The Westpark Tollway opened in 2004.

(b) 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 November 1, 2003**

	<b>Attended</b>	<b>Exact Change</b>	<b>Token</b>	<b>EZ Tag</b>
	<b>Lanes</b>	<b>Lanes</b>	<b>Lanes (a)</b>	<b>Lanes</b>
<u>Two Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.25	\$ 1.25	N/A	\$ 1.00
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	N/A	\$ 1.50
<u>Three to Six Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.00-6.25	N/A	N/A	\$ 1.00-6.25
Sam Houston Ship Channel Bridge	\$ 3.00-7.50	N/A	N/A	\$ 3.00-7.50

**Toll Rate Schedule Prior to November 1, 2003**

	<b>Attended</b>	<b>Exact Change</b>	<b>Token</b>	<b>EZ Tag</b>
	<b>Lanes</b>	<b>Lanes</b>	<b>Lanes</b>	<b>Lanes</b>
<u>Two Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.00	\$ 1.00	\$ 0.90	\$ 0.75
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	\$ 1.80	\$ 1.50
<u>Three to Six Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.60-4.50	N/A	N/A	\$ 0.60-4.50
Sam Houston Ship Channel Bridge	\$ 2.75-5.50	N/A	N/A	\$ 2.75-5.50

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**Toll Road Selected Financial Information**  
**Schedule 3**  
**(Unaudited)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Operating Revenues</b>					
Toll revenues	\$ 234,674,805	\$ 244,170,745	\$ 265,913,082	\$ 317,712,245	\$ 349,341,225
Lease revenues	-	-	-	-	1,000,948
<b>Total Operating Revenues</b>	<u>234,674,805</u>	<u>244,170,745</u>	<u>265,913,082</u>	<u>317,712,245</u>	<u>350,342,173</u>
<b>Operating Expenses</b>					
Salaries	18,221,632	20,457,289	23,070,478	25,852,853	28,771,452
Materials and supplies	1,023,193	1,321,222	12,322,317	2,732,095	7,265,279
Services and fees	27,202,642	25,066,081	24,876,579	26,410,239	28,748,034
Utilities	1,186,852	1,193,174	1,518,091	1,948,440	2,288,230
Transportation and travel	261,232	299,431	345,382	437,235	525,709
Depreciation	42,353,772	42,375,509	42,518,752	42,913,450	51,818,107
<b>Total Operating Expenses</b>	<u>90,249,323</u>	<u>90,712,706</u>	<u>104,651,599</u>	<u>100,294,312</u>	<u>119,416,811</u>
<b>Income from Operations</b>	<u>144,425,482</u>	<u>153,458,039</u>	<u>161,261,483</u>	<u>217,417,933</u>	<u>230,925,362</u>
<b>Nonoperating Revenues</b>					
Interest revenue	23,272,160	15,928,241	10,376,752	6,317,939	19,799,582
Other	1,252,022	124,163	714,644	-	-
<b>Total Nonoperating Revenues</b>	<u>24,524,182</u>	<u>16,052,404</u>	<u>11,091,396</u>	<u>6,317,939</u>	<u>19,799,582</u>
<b>Nonoperating Expenses</b>					
Interest expense	90,337,665	88,161,087	101,075,728	96,222,165	97,189,289
Amortization expense	837,012	911,022	1,069,795	13,137,957	13,642,903
Bad debt	-	942,683	6,729,330	-	-
Other	487,817	100,033	465,589	3,703,190	5,199
<b>Total Nonoperating Expenses</b>	<u>91,662,494</u>	<u>90,114,825</u>	<u>109,340,442</u>	<u>113,063,312</u>	<u>110,837,391</u>
<b>Net Income Before Contributions and Transfers Out</b>	77,287,170	79,395,618	63,012,437	110,672,560	139,887,553
Contributions (a)	-	5,048,100	15,189,452	12,522,506	3,129,512
Transfers Out (b)	(20,000,000)	(20,057,744)	(67,500,000)	(20,130,000)	(20,241,030)
<b>Net Income</b>	<u>\$ 57,287,170</u>	<u>\$ 64,385,974</u>	<u>\$ 10,701,889</u>	<u>\$ 103,065,066</u>	<u>\$ 122,776,035</u>

(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) For Fiscal Years 2002 and 2003, Commissioners Court authorized an allocation of \$20 million of HCTRA net income for funding of County thoroughfares that feed the Project. The distribution, in the equal amount of \$5 million for each precinct for each such Fiscal Year, is based on a list of projects approved by Commissioners Court. 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.

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

<b>Fiscal Year Ending</b>	<b>Project Revenues</b>	<b>(a)</b>			<b>(b)</b>		<b>Revenues Available For Unlimited Subordinate Lien Tax Bonds</b>	<b>Debt Service Tax Bonds</b>	<b>Coverage Ratio On Unlimited Subordinate Lien Tax Bonds</b>
		<b>Other Earnings</b>	<b>Debt Service Senior Lien Revenue Bonds</b>	<b>Coverage Ratio On Senior Lien Revenue Bonds</b>	<b>O &amp; M Expenses</b>	<b>Revenue Bonds</b>			
1997	\$ 109,631,604	\$ 11,655,758	\$ 42,481,792	2.855	\$ 17,716,748	\$ 61,088,822	\$ 57,015,181	1.071	
1998	142,254,350	17,867,466	45,648,649	3.508	17,612,685	96,860,482	62,368,482	1.553	
1999	180,108,358	18,709,094	46,546,605	4.271	21,593,047	130,677,800	61,142,299	2.137	
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	350,342,173	19,799,582	75,387,443	4.910	58,899,030	235,855,282	75,453,269	3.126	

(a) Total investment income less interest revenue from the Office Building.

(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)**

<b>Component/Segment</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Hardy Toll Road-North	\$ 13,546,435	\$ 13,607,169	\$ 11,981,354	\$ 13,888,956	\$ 14,381,462
Hardy Toll Road-South (a)	13,641,343	14,257,068	14,730,039	17,202,971	17,568,326
Sam Houston Tollway-South	44,637,285	46,217,997	51,250,139	58,765,316	59,541,264
Sam Houston Tollway-Central	37,312,771	38,491,192	43,064,428	51,823,534	54,416,326
Sam Houston Tollway-North	41,730,117	42,845,832	48,892,943	57,182,927	61,428,727
Sam Houston Ship Channel Bridge	19,443,366	18,984,108	19,378,055	19,356,296	21,984,875
Sam Houston Tollway-East	13,521,315	13,789,745	15,203,970	17,157,370	19,122,853
Sam Houston Tollway-South/East	17,621,377	18,276,414	20,389,860	24,144,419	25,641,681
Sam Houston Tollway-South/West	20,939,045	21,847,053	24,248,769	28,280,061	29,206,606
Westpark Tollway (b)	-	-	-	8,730,798	23,036,382
Spur 90A (c)	-	-	-	-	635,501
Administration (d)	12,281,751	15,854,167	16,731,864	20,641,990	21,163,992
Fort Bend	-	-	-	120,916	523,356
IOP-NTTA (e)	-	-	41,661	416,691	689,874
Total	<u>234,674,805</u>	<u>244,170,745</u>	<u>265,913,082</u>	<u>317,712,245</u>	<u>349,341,225</u>

(a) Includes toll revenues collected for the Airport Connector.

(b) Westpark Tollway opened in 2004.

(c) Spur 90A opened in 2006.

(d) Consist of EZ tag fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.

(e) Fiscal Year 2004 and 2005 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.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**

**Toll Road Bonds Debt Service Requirements**

**Schedule 6**

**(Unaudited)**

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 6,922,906	\$ 68,490,363	\$ 75,413,269	\$ 20,890,000	\$ 69,042,196	\$ 89,932,196	\$ 27,812,906	\$ 137,532,559	\$ 165,345,465
2008	6,068,227	68,795,042	74,863,269	23,000,000	64,299,816	87,299,816	29,068,227	133,094,858	162,163,085
2009	10,675,665	64,312,366	74,988,031	25,580,000	63,073,105	88,653,105	36,255,665	127,385,471	163,641,136
2010	41,540,000	45,680,694	87,220,694	27,210,000	61,635,029	88,845,029	68,750,000	107,315,723	176,065,723
2011	43,285,000	43,211,694	86,496,694	33,600,000	59,981,250	93,581,250	76,885,000	103,192,944	180,077,944
2012	44,970,000	40,607,444	85,577,444	36,235,000	58,176,285	94,411,285	81,205,000	98,783,729	179,988,729
2013	47,210,000	38,102,031	85,312,031	39,645,000	56,212,124	95,857,124	86,855,000	94,314,155	181,169,155
2014	57,225,000	27,880,612	85,105,612	42,625,000	54,088,680	96,713,680	99,850,000	81,969,292	181,819,292
2015	63,695,000	20,799,981	84,494,981	46,145,000	51,814,467	97,959,467	109,840,000	72,614,448	182,454,448
2016	42,015,000	18,133,275	60,148,275	49,680,000	49,375,161	99,055,161	91,695,000	67,508,436	159,203,436
2017	27,735,000	16,469,397	44,204,397	53,810,000	46,741,152	100,551,152	81,545,000	63,210,549	144,755,549
2018	28,515,000	15,124,441	43,639,441	58,100,000	43,893,020	101,993,020	86,615,000	59,017,461	145,632,461
2019	29,330,000	13,732,831	43,062,831	56,905,000	40,985,794	97,890,794	86,235,000	54,718,625	140,953,625
2020	30,170,000	12,301,594	42,471,594	59,840,000	38,058,192	97,898,192	90,010,000	50,359,786	140,369,786
2021	31,060,000	10,811,031	41,871,031	62,580,000	34,997,495	97,577,495	93,640,000	45,808,526	139,448,526
2022	20,680,000	9,549,681	30,229,681	65,355,000	31,797,522	97,152,522	86,035,000	41,347,203	127,382,203
2023	21,085,000	8,516,491	29,601,491	23,840,000	29,541,988	53,381,988	44,925,000	38,058,479	82,983,479
2024	21,525,000	7,440,684	28,965,684	25,270,000	28,263,556	53,533,556	46,795,000	35,704,240	82,499,240
2025	21,975,000	6,342,072	28,317,072	26,610,000	26,927,291	53,537,291	48,585,000	33,269,363	81,854,363
2026	12,860,000	5,465,500	18,325,500	27,985,000	25,549,344	53,534,344	40,845,000	31,014,844	71,859,844
2027	12,860,000	4,822,500	17,682,500	30,875,000	24,081,481	54,956,481	43,735,000	28,903,981	72,638,981
2028	12,860,000	4,179,500	17,039,500	33,850,000	22,474,294	56,324,294	46,710,000	26,653,794	73,363,794
2029	12,860,000	3,536,500	16,396,500	36,980,000	20,719,216	57,699,216	49,840,000	24,255,716	74,095,716
2030	12,860,000	2,893,500	15,753,500	40,245,000	18,843,091	59,088,091	53,105,000	21,736,591	74,841,591
2031	12,860,000	2,250,500	15,110,500	43,670,000	16,805,978	60,475,978	56,530,000	19,056,478	75,586,478
2032	12,860,000	1,607,500	14,467,500	47,355,000	14,518,675	61,873,675	60,215,000	16,126,175	76,341,175
2033	12,860,000	964,500	13,824,500	51,285,000	11,996,719	63,281,719	64,145,000	12,961,219	77,106,219
2034	12,860,000	321,500	13,181,500	55,415,000	9,282,469	64,697,469	68,275,000	9,603,969	77,878,969
2035	-	-	-	72,685,000	5,972,006	78,657,006	72,685,000	5,972,006	78,657,006
2036	-	-	-	77,410,000	2,032,013	79,442,013	77,410,000	2,032,013	79,442,013
<b>Total</b>	<b>\$711,421,798</b>	<b>\$ 562,343,224</b>	<b>\$ 1,273,765,022</b>	<b>\$ 1,294,675,000</b>	<b>\$1,081,179,409</b>	<b>\$ 2,375,854,409</b>	<b>\$ 2,006,096,798</b>	<b>\$ 1,643,522,633</b>	<b>\$ 3,649,619,431</b>

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

The Series 1991 Bonds, Series 1992 Bonds, Series 1995A Tax Bonds, Series 1997 Tax Bonds, Series 2001 Tax Bonds, Series 2002 Tax Bonds and Series 2003 Tax Bonds are collectively referred to as the “Toll Road Tax Bonds”.

<u>Issue</u>	<u>Dated Issued</u>	<u>Outstanding Principal Amount at February 28, 2006</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1991 .....	April 1991	\$ 2,220,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1992-A .....	February 1992	4,570,000
Series 1992-B .....	February 1992	752,488
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1994A .....	April 1994	67,284,310
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 Refunding Bonds, Series 1997 .....	August 1997	151,595,000
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	321,500,000
<b>TOTAL</b>		<b>\$ 711,421,798</b>

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS**

**Schedule 8  
(Unaudited)**

The Series 1994-A Bonds, Series 1997 Bonds, Series 2002 Bonds, Series 2004-A Bonds, Series 2004-B Bonds and Series 2005-A are referred to as the “Senior Lien Revenue Bonds”.

Issue	Outstanding Principal Amount as of February 28, 2006
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 1997	\$ 63,245,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2002	392,145,000
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 2004B	462,805,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2005A	207,765,000
<b>TOTAL</b>	\$ 1,294,675,000

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2006-2007**

**Schedule 9  
(Unaudited)**

On March 8, 2006 the Commissioners Court adopted the budget for the County for the Fiscal Year 2006-2007. The Fiscal Year 2007 Budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2006-2007 Budget for the County's Current Operating Funds:

Cash Balance as of March 1, 2006	\$ 234,921,271
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	644,913,520
Charges for Services	180,174,822
Fines and Forfeitures	23,290,645
Intergovernmental Revenues	25,603,596
Interest	6,529,184
Other	48,255,081
Total Cash and Estimated Revenues	<u>\$ 1,163,688,119</u>
Appropriations:	
Current Operating Expenses	\$ 1,094,190,618
Capital Outlay:	
Roads	55,424,027
Parks	14,073,474
Total Appropriations	<u>\$ 1,163,688,119</u>

**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, 2006 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	\$ 168,706,327
Permanent Improvements	42,748,779
Flood Control	116,936,815
Reliant Park	<u>16,344,509</u>
Total	<u><u>\$ 344,736,430</u></u>

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
SCHEDULE OF COUNTY ASSESSED VALUES AND TAX RATES  
(EXCEPT FLOOD CONTROL DISTRICT)**

**LAST TEN FISCAL YEARS**

**Schedule 11**

**(Unaudited)**

**(amounts in thousands)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Exemptions (a)</b>	<b>Total Taxable Assessed Value</b>	<b>M&amp;O Tax Rate</b>	<b>Debt Service Tax Rate</b>	<b>Total County Tax Rate</b>
1997	\$114,810,418	\$ 23,776,930	\$ 18,461,507	\$ 120,125,841	0.35456	0.07312	0.42768
1998	118,033,506	24,100,180	17,850,666	124,283,020	0.35078	0.06788	0.41866
1999	125,452,026	25,255,844	20,271,134	130,436,736	0.37748	0.03912	0.41660
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 (b)	0.34728	0.05258	0.39986

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of \$156,240.

(b) HCAD tax supplement as of February 1 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)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1997	\$ 511,574	\$ 496,891	97.1	\$ 11,779	508,670	99.4
1998	518,449	499,797	96.4	15,740	515,537	99.4
1999	543,778	522,522	96.1	18,068	540,590	99.4
2000	557,352	538,011	96.5	15,906	553,917	99.4
2001	553,216	547,846	99.0	1,396	549,242	99.3
2002	643,711	617,800	96.0	20,429	638,229	99.1
2003	682,975	657,498	96.3	18,427	675,925	99.0
2004	704,093	693,384	98.5	2,199	695,583	98.8
2005	793,759	740,302	93.3	38,971	779,273	98.2
2006	796,885	719,922	90.3	-	-	0.0

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**SCHEDULE OF PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

(amounts in thousands)

**Schedule 13**  
**(Unaudited)**

Taxpayers	2006			1997		
	2005 Taxable Valuations (a)	Rank	Percentage of Total 2005 Taxable Valuation (b)	1996 Taxable Valuations (a)	Rank	Percentage of Total 1996 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,157,665	1	1.53	\$ 2,720,000	1	2.26
Centerpoint Energy, Inc.	2,604,445	2	1.26	-		0.00
Shell Oil Company	1,945,346	3	0.94	1,010,000	5	0.84
Lyondell Chemical	1,292,657	4	0.63	823,000	7	0.69
Southwestern Bell Telephone (SBC)	1,058,278	5	0.51	1,600,000	3	1.33
Equistar Chemicals Limited Partnership	1,055,374	6	0.51	-		0.00
Crescent Real Estate	966,916	7	0.47	-		0.00
Chevron Phillips Chemical Company	935,750	8	0.45	683,000	9	0.57
Hines Interests Ltd Partnership	854,380	9	0.41	1,020,000	4	0.85
Hewlett Packard Company	592,359	10	0.29	-		0.00
Rohm & Haas Co.	499,167	11	0.24	434,000	15	0.36
Anheuser Busch Inc.	473,966	12	0.23	-		0.00
Trizechahn	415,503	13	0.20	-		0.00
Calpine	405,130	14	0.20	-		0.00
Oxy Vinlys LP	399,223	15	0.19	-		0.00
Houston Lighting and Power Company	-		0.00	2,160,000	2	1.80
Compaq Computer Corporation	-		0.00	898,000	6	0.75
Quantum Chemical Plant	-		0.00	773,000	8	0.64
Arco Chemical Company	-		0.00	550,000	10	0.46
Hoechst Celanese Chemical	-		0.00	481,000	11	0.40
Phillips Petroleum Company	-		0.00	480,000	12	0.40
Occidental Chemical Corporation	-		0.00	455,000	13	0.38
Lyondell-Citgo Refining Co.	-		0.00	450,000	14	0.37
<b>Total</b>	<b>\$ 16,656,159</b>		<b>8.07%</b>	<b>\$ 14,537,000</b>		<b>12.10%</b>

**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 District's total taxable value as of January 29, 2006 in the amount of \$206,346,375
- (c) Based on the District's total taxable value as of February 1, 1997 in the amount of \$120,113,229.

**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	\$ 937,121,629
Unlimited Tax Debt	546,599,962
Flood Control	327,395,000
Toll Road Tax Bonds	711,421,798
Total	\$ 2,522,538,389
Less: Toll Road Tax Bonds	(711,421,798)
Total (Approximately 0.68% of 2005 Assessed Value)	\$ 1,811,116,591

(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 compound interest bonds.

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

The following table sets forth the District's ad valorem tax debt outstanding, as of the end of the Fiscal years 1996-97 through 2005-06.

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
1997	\$ 1,652,743	\$ 120,125,841	0.20%	3,127,000	529
1998	1,589,391	124,283,020	1.28	3,158,095	503
1999	1,595,308	130,436,736	1.22	3,206,063	498
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	194,263,946	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683

- (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)**

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lient Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 33,980,000	\$ 42,192,199	\$ 76,172,199	\$ 19,140,620	\$ 33,628,398	\$ 52,769,018	\$ 6,922,906	\$ 68,490,363	\$ 75,413,269	\$ 17,070,000	\$ 18,057,524	\$ 35,127,524	\$ 77,113,526	\$ 162,368,484	\$ 239,482,010
2008	33,955,000	40,672,993	74,627,993	21,687,327	32,610,797	54,298,124	6,068,227	68,795,042	74,863,269	8,755,287	25,682,457	34,437,744	70,465,841	167,761,289	238,227,130
2009	37,775,000	39,108,994	76,883,994	23,892,422	28,135,314	52,027,736	10,675,665	64,312,366	74,988,031	7,908,684	22,937,380	30,846,064	80,251,771	154,494,054	234,745,825
2010	40,370,000	37,303,211	77,673,211	26,304,593	25,491,344	51,795,937	41,540,000	45,680,694	87,220,694	8,667,889	21,462,254	30,130,143	116,882,482	129,937,503	246,819,985
2011	38,000,000	35,363,212	73,363,212	34,735,000	21,668,361	56,403,361	43,285,000	43,211,694	86,496,694	8,318,921	19,409,710	27,728,631	124,338,921	119,652,977	243,991,898
2012	45,430,000	33,542,214	78,972,214	30,790,000	19,975,986	50,765,986	44,970,000	40,607,444	85,577,444	8,124,024	17,294,233	25,418,257	129,314,024	111,419,877	240,733,901
2013	52,190,000	29,738,304	81,928,304	28,095,000	18,414,576	46,509,576	47,210,000	38,102,031	85,312,031	9,435,000	15,771,706	25,206,706	136,930,000	102,026,617	238,956,617
2014	40,490,022	25,966,752	66,456,774	18,502,902	19,778,049	38,280,951	57,225,000	27,880,612	85,105,612	9,715,000	15,299,981	25,014,981	125,932,924	88,925,394	214,858,318
2015	42,002,460	24,407,548	66,410,008	19,933,385	16,216,904	36,150,289	63,695,000	20,799,981	84,494,981	8,685,000	14,812,644	23,497,644	134,315,845	76,237,077	210,552,922
2016	43,496,787	22,801,880	66,298,667	19,647,743	15,523,666	35,171,409	42,015,000	18,133,275	60,148,275	7,945,000	14,383,275	22,328,275	113,104,530	70,842,096	183,946,626
2017	45,651,714	21,065,863	66,717,577	18,988,741	14,822,116	33,810,857	27,735,000	16,469,397	44,204,397	7,170,000	13,977,513	21,147,513	99,545,455	66,334,889	165,880,344
2018	46,801,285	19,032,842	65,834,127	19,357,229	14,135,079	33,492,308	28,515,000	15,124,441	43,639,441	7,545,000	13,601,087	21,146,087	102,218,514	61,893,449	164,111,963
2019	40,296,339	16,910,021	57,206,360	32,515,000	13,413,554	45,928,554	29,330,000	13,732,831	43,062,831	22,925,000	13,204,975	36,129,975	125,066,339	57,261,381	182,327,720
2020	26,495,898	15,188,965	41,684,863	34,190,000	11,739,998	45,929,998	30,170,000	12,301,594	42,471,594	39,325,000	12,001,412	51,326,412	130,180,898	51,231,969	181,412,867
2021	36,155,000	13,944,252	50,099,252	35,940,000	9,990,472	45,930,472	31,060,000	10,811,031	41,871,031	41,385,000	9,936,850	51,321,850	144,540,000	44,682,605	189,222,605
2022	36,065,000	12,430,833	48,495,833	37,785,000	8,151,335	45,936,335	20,680,000	9,549,681	30,229,681	45,175,000	7,764,138	52,939,138	139,705,000	37,895,987	177,600,987
2023	37,540,000	11,352,609	48,892,609	39,670,000	6,258,040	45,928,040	21,085,000	8,516,491	29,601,491	47,465,000	5,482,237	52,947,237	145,760,000	31,609,377	177,369,377
2024	27,620,806	10,009,663	37,630,469	41,670,000	4,271,250	45,941,250	21,525,000	7,440,684	28,965,684	49,845,000	3,084,625	52,929,625	140,660,806	24,806,222	165,467,028
2025	69,937,279	8,941,155	78,878,434	43,755,000	2,187,750	45,942,750	21,975,000	6,342,072	28,317,072	10,795,000	566,738	11,361,738	146,462,279	18,037,715	164,499,994
2026	14,494,303	5,562,890	20,057,193	-	-	-	12,860,000	5,465,500	18,325,500	-	-	-	27,354,303	11,028,390	38,382,693
2027	27,190,000	4,807,980	31,997,980	-	-	-	12,860,000	4,822,500	17,682,500	-	-	-	40,050,000	9,630,480	49,680,480
2028	28,315,000	3,744,425	32,059,425	-	-	-	12,860,000	4,179,500	17,039,500	-	-	-	41,175,000	7,923,925	49,098,925
2029	11,194,736	3,040,274	14,235,010	-	-	-	12,860,000	3,536,500	16,396,500	-	-	-	24,054,736	6,576,774	30,631,510
2030	19,325,000	2,405,218	21,730,218	-	-	-	12,860,000	2,893,500	15,753,500	-	-	-	32,185,000	5,298,718	37,483,718
2031	20,025,000	1,748,072	21,773,072	-	-	-	12,860,000	2,250,500	15,110,500	-	-	-	32,885,000	3,998,572	36,883,572
2032	20,775,000	1,066,712	21,841,712	-	-	-	12,860,000	1,607,500	14,467,500	-	-	-	33,635,000	2,674,212	36,309,212
2033	21,550,000	359,885	21,909,885	-	-	-	12,860,000	964,500	13,824,500	-	-	-	34,410,000	1,324,385	35,734,385
2034	-	-	-	-	-	-	12,860,000	321,500	13,181,500	-	-	-	12,860,000	321,500	13,181,500
Total	\$ 937,121,629	\$ 482,708,966	\$ 1,419,830,595	\$ 546,599,962	\$ 316,412,989	\$ 863,012,951	\$ 711,421,798	\$ 562,343,224	\$ 1,273,765,022	\$ 366,254,805	\$ 264,730,739	\$ 630,985,544	\$ 2,561,398,194	\$ 1,626,195,918	\$ 4,187,594,112

(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, 2006, 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	\$ 24,000	
Parks	37,227	
Total Limited Tax Bonds		\$ 61,227

Unlimited Tax:

Road Bonds	351,536	
Total Unlimited Tax Bonds		351,536

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

	95,000	
Total Harris County Ad Valorem Tax Bonds		525,436

Port of Houston Authority Unlimited Tax Bonds

Port Improvements	267,271	
Deepening and Widening of Houston Ship Channel	2,956	
Total Port of Houston Authority Bonds		270,227

Total Authorized but Unissued Bonds		\$ 795,663
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**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)**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund:										
Reserved	\$ 82,630	\$ 84,666	\$ 71,415	\$ 76,937	\$ 71,535	\$ 69,003	\$ 105,162	\$ 100,143	\$ 112,291	\$ 146,218
Unreserved	113,532	120,125	207,206	218,634	204,672	246,811	214,160	250,939	204,852	176,747
Total general fund	<u>\$ 196,162</u>	<u>\$ 204,791</u>	<u>\$ 278,621</u>	<u>\$ 295,571</u>	<u>\$ 276,207</u>	<u>\$ 315,814</u>	<u>\$ 319,322</u>	<u>\$ 351,082</u>	<u>\$ 317,143</u>	<u>\$ 322,965</u>

**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**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Administration of Justice	6,750	6,821	6,931	7,820	8,054	8,177	8,115	8,450	8,554	8,818
Parks	*	*	*	*	*	*	*	*	*	754
County Administration	2,415	2,366	2,447	2,612	2,758	2,817	2,627	2,720	2,787	2,885
Health and Human Services	*	*	*	*	*	*	*	*	*	1,764
Flood Control	*	*	*	276	270	277	289	331	342	320
Tax Administration	474	507	505	458	460	468	450	465	442	442
Roads and Bridges	1,000	1,017	1,078	677	716	736	752	817	837	857
Other *	2,379	2,472	2,529	1,489	1,613	1,742	2,050	2,287	2,441	0

\* Prior to the current year, the smaller expenditure functions were grouped as other on this schedule.

Note: As of February 28, 2006, it is estimated that approximately 2,447 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 2002 through 2006 are summarized as follows:

	FY2006	FY2005	FY2004	FY2003	FY2002
Employer Contributions	\$60,990,625	\$60,824,272	\$56,659,405	\$56,254,388	\$48,448,052

