



 HARRIS COUNTY TOLL ROAD AUTHORITY



HARRIS COUNTY TOLL ROAD AUTHORITY ENTERPRISE FUND

A Department of Harris County, Texas

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2011

Prepared By:
Barbara P. Schott, CPA
County Auditor

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

*Financial Statements As of February 28, 2011
and for the Year Then Ended and Independent
Auditors' Report*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED FEBRUARY 28, 2011**

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BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

August 12, 2011

Honorable District Judges of Harris County and
Honorable Members of the Harris County Commissioners Court

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended February 28, 2011. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

The report consists of management's representations concerning the finances of the Authority. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 7.

Management of the Authority has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended February 28, 2011 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE AUTHORITY

History

The Harris County Toll Road Authority was established in 1983 by the Harris County Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters authorized issuance of up to \$900 million in bonds to construct, operate and maintain toll roads in Harris County. The first two components of the toll road system, the Hardy Toll Road and the Sam Houston Tollway-West were completed in 1987 and 1990 respectively. In 1994, the County purchased the Jesse H. Jones Memorial Bridge toll facility from the Texas Turnpike Authority, which was renamed the Sam Houston Ship Channel Bridge. In 2004, the Harris County Toll Road Authority opened the Westpark Tollway, and in April 2009, the Katy Managed Lanes were opened for full operations.

Authority Structure and Services

The Authority, a division of the County's Public Infrastructure Department, is an enterprise fund of the County and relies on charges from users of the toll road system to fund operations, debt service, and future projects. Led by its Executive Director, Art Storey, the Authority is organized under its Director, Peter Key. The Authority improves mobility in the Greater Houston Metropolitan area through excellence in the operation of urban toll highway systems, while upholding a commitment to leadership, public service and quality of life.

Budget Process

In accordance with Chapter 111 of the Local Government Code, the County prepares and adopts an annual operating budget which serves as a financial plan for the Authority for the new fiscal year beginning March 1. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the General Fund is at the department level; for other funds budgetary control is implemented at various levels. For example, budgetary control for debt service funds is at the individual bond issue level. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money, for capital projects through the issuance of bonds, intergovernmental contracts, and new source revenue not anticipated at budget adoption. Purchase orders and contracts are not valid until the County Auditor certifies availability of funds for payment of the obligation. Encumbrance accounting is utilized to ensure effective budgetary control and accountability, and unencumbered appropriations lapse at year-end.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

Houston was one of the last major metropolitan areas in the United States to slip into the recent global recession and it was one of the first to begin to recover. The Houston – Sugar Land – Baytown Metropolitan Area added 13,100 jobs from December 2009 to December 2010. Most of the job growth occurred in the following sectors: health care and social assistance; durable goods manufacturing; leisure and hospitality; and food services and drinking places.

Today, Harris County's economy is largely based on a broad spectrum of industries including:

- Oil and gas exploration
- Basic petroleum refining
- Petrochemical production
- Medical research and health care delivery
- High technology – computers, aerospace, environmental, etc.
- Government – city, county, state and federal (i.e. NASA)
- International import & export
- Commercial fishing

- Agriculture
- Education
- Banking and finance
- Manufacturing and distribution
- Related service industries

The Houston Association of Realtors reported a 5.7 percent decline in single family home sales during 2010 and a 4.6 percent decrease in property sales. In April 2011, the average sales price for a single-family home was \$202,545, which was 0.6 percent lower than in April 2010. The median price was \$148,000, down 2.2% from April 2010. Sales of foreclosed properties decreased 4.6 percent in April compared with one year earlier.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile assembly of public and private facilities along the Houston Ship Channel. The Port is ranked first in the United States in foreign waterborne tonnage; first in U.S. imports; second in U.S. export tonnage and second in the U.S. in total tonnage.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, and state of the art telecommunication services. George Bush Intercontinental Airport, located approximately 23 miles north of downtown Houston, is the eighth busiest airport in the U.S. and the eighth busiest for international passengers.

As of the 2010 U.S. Census, Harris County had a population of 4.1 million, making it the most populous county in Texas and the third most populous county in the United States, ranking behind Los Angeles County, California and Cook County, Illinois. Twenty-three companies on the 2010 *Fortune 500* list are headquartered in Houston. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 74 and Chicago with 27.

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's two medical schools are the University of Texas Medical School and Baylor College of Medicine.

Financial Policies and Long-Term Financial Planning

The County's financial policies also apply to the Authority. Some of the County's financial policies and strategies are:

- The County's policy has been for expenditures to be budgeted and controlled so that at the end of a fiscal year the minimum unreserved balance for operating funds would be no less than 15% of fiscal year expenditures;
- The County will need to focus on rebuilding its reserve capacity while controlling expenditures in order to meet the targeted minimum;
- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund;
- Sustaining the County's high bond rating; and

- An investment policy has been adopted by the County to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds.

Authority funds available for investment under the County's investment program as of February 28, 2011 totaled \$1,222 million with investment earnings of \$13.5 million for the fiscal year. The average yield and maturity of such investments were 1.62% and 1,242 days.

The County provides retirement, disability, and death benefits for all of its employees (excluding temporary) through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2011 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post employment benefits can be found in Notes 9 and 10 of the notes to the financial statements.

Major Initiatives

The Authority continues moving forward on projects authorized by Commissioners Court including the Hardy Toll Road Downtown Connector, and the widening of the Sam Houston Tollway from US 59 south to State Highway 288.

ACKNOWLEDGMENTS

I wish to express my gratitude to the Commissioners Court, District Judges, and other County and District officials and departments for their interest and support in planning and conducting the financial affairs of the Authority in a responsible and professional manner.

REQUEST FOR INFORMATION

This financial report is designed to provide an overview of the Authority's finances for individuals who are interested in this information. Questions concerning any of the data provided in this report should be addressed to the County Auditor's Office, 1001 Preston Suite 800, Houston, Texas 77002. Additional financial information is provided on the County Auditor's webpage which can be accessed from the County's website, www.co.harris.tx.us.

Barbara J. Schott, C.P.A.
County Auditor

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the Toll Road Authority Enterprise Fund of Harris County, Texas (the "Toll Road Authority") as of February 28, 2011 and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County, Texas (the "County"). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Toll Road Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the basic financial statements referred to above present only the financial position and results of operation of the Toll Road Authority and are not intended to present the financial position and results of operations of the County, in conformity with accounting principles generally accepted in United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Toll Road Authority as of February 28, 2011, 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.

As discussed in Note 1 to the Toll Road Authority's financial statements, the Toll Road Authority implemented Governmental Accounting Standards Board Statements No. 51 "Accounting and Financial Reporting for Intangible Assets" and No. 53 "Accounting and Financial Reporting for Derivative Instruments."

The accompanying Management's Discussion and Analysis, the Other Post Employment Benefits Schedule of Funding Progress, and the Texas County and District Retirement System – Schedule of Funding Progress are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the method of measurement and presentation of supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Toll Road Authority's basic financial statements. The introductory section and other information listed in the table of contents is presented for purpose of additional analysis and is not required part of the basic financial statements. This supplementary information is also the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the method of measurement and presentation of supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLP

August 12, 2011

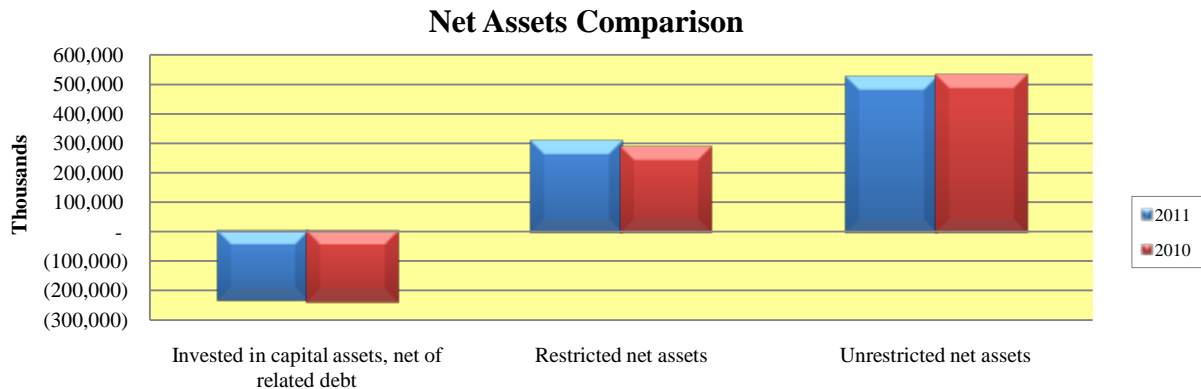
***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***

This section of the Toll Road Authority Enterprise Fund of Harris County financial statements presents management’s discussion and analysis (“MD&A”) of the financial performance of the Harris County Toll Road Authority (“Authority”) during the fiscal year ended February 28, 2011.

The Authority is an enterprise fund of Harris County, Texas (the “County”) and is included in the County’s financial statements. This analysis presents information about the Authority and its operations and activities only and is not intended to provide information about the entire County. Please read this section in conjunction with the financial statements and related footnotes following this section.

FINANCIAL HIGHLIGHTS

- During fiscal year 2011, the Authority issued \$279,740,000 in revenue and tax refunding bonds with related debt service financed through toll revenues. Note 7 to the financial statements provides further details on the new debt issuances.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, a deficit of \$231,001,927, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net assets increased \$3,838,172 from the previous year.
 - (2) Net assets of \$302,177,975 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets increased by \$15,216,443 from the prior year due to an increase in the debt service reserve.
 - (3) Unrestricted net assets of \$520,142,101 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets decreased \$5,859,965 from the previous year.



***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 28, 2011
(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 uses the accrual basis of accounting. Funds are a self-balancing set of accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions, or limitations. The Authority is used to account for the acquisition, operation and maintenance of toll roads within Harris County.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found beginning on page 18 of this report.

FINANCIAL ANALYSIS

The total net assets of the Authority exceeded liabilities at February 28, 2011 by \$591,318,149 and \$578,123,499 for fiscal year ended 2010. Net assets increased primarily due to a decrease in outstanding debt.

**Harris County Toll Road Authority Enterprise Fund
Condensed Statement of Net Assets
February 28, 2011 and February 28, 2010
(Amounts in thousands)**

	2011	2010
Current assets	\$ 1,225,879	\$ 1,393,176
Capital assets, net	2,070,761	1,976,024
Other non-current assets	132,978	90,004
Total assets	<u>3,429,618</u>	<u>3,459,204</u>
Current liabilities	175,577	181,460
Non-current liabilities	2,662,723	2,699,621
Total liabilities	<u>2,838,300</u>	<u>2,881,081</u>
Net assets:		
Invested in capital assets, net of related debt	(231,002)	(234,840)
Restricted net assets	302,178	286,961
Unrestricted net assets	520,142	526,002
Total net assets	<u>\$ 591,318</u>	<u>\$ 578,123</u>

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***

The largest portion of the Authority's current fiscal year net assets is unrestricted net assets, which are used for the ongoing operations of the Authority.

Another portion of the Authority's current fiscal year net assets reflects its investments in capital assets (e.g.: land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was a decrease in related debt of \$65,708,022, a decrease in unspent proceeds of \$156,606,970, while capital assets increased by \$94,737,120, causing an overall increase in capital assets net of related debt of \$3,838,172. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of the Authority's current fiscal year net assets represents restricted net assets, which are subject to external restrictions on how they may be used. The Authority's restricted net assets are for capital projects, debt service and other purposes. The restricted net assets for other purposes may be used as follows: (1) payment or provision for payment of senior indebtedness payable as a first charge on revenues; (2) to pay project expenses; (3) to establish and maintain an operating reserve equal to two months' project expenses; (4) to pay any senior indebtedness not a first charge on the revenues; (5) to make transfer to debt service fund as required by the tax indenture; and (6) the balance, if any, shall be transferred to the surplus fund.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***

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

	<u>2011</u>	<u>2010</u>
Revenues:		
Operating revenues:		
Toll revenue	\$ 481,346	\$ 455,548
Intergovernmental revenue	852	1,165
Nonoperating Revenues:		
Investment income	13,528	33,582
Lease revenue	134	309
Miscellaneous revenue	819	1,644
Total revenues	<u>496,679</u>	<u>492,248</u>
Expenses:		
Operating Expenses:		
Salaries	51,443	55,466
Materials and supplies	9,959	12,824
Services and fees	79,341	83,594
Utilities	3,201	3,397
Transportation and travel	1,110	1,113
Depreciation	72,934	70,735
Nonoperating Expenses:		
Interest expense	125,570	116,888
Amortization expense	17,140	15,804
Loss on disposal of capital assets	2,568	227
Total expenses	<u>363,266</u>	<u>360,048</u>
Income before contributions and transfers	133,413	132,200
Contributions	3,063	7,222
Transfers in	1,071	9
Transfers out	<u>(124,352)</u>	<u>(127,124)</u>
Change in net assets	13,195	12,307
Net assets - beginning	<u>578,123</u>	<u>565,816</u>
Net assets - ending	<u>\$ 591,318</u>	<u>\$ 578,123</u>

Revenues and Contribution

Total revenues and contributions for fiscal year 2011 were \$499,742,304, an increase of \$273,188 in revenues and contribution from fiscal year 2010 of \$499,469,116.

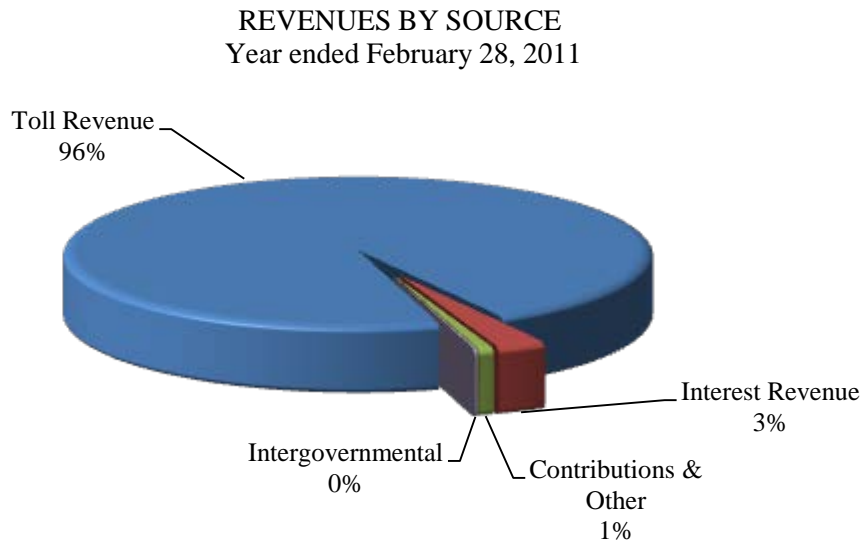
The largest revenue source is toll revenue of \$481,346,283 or 96% of total revenues and contributions. This revenue category increased \$25,798,329 from fiscal year 2010. This is primarily due to increased usage at the toll plazas. The biggest increases were noted at the Katy Managed Lanes (\$2.9M), Sam Houston North (\$3.6M), Sam Houston South (\$2.3M), Sam Houston Central (\$2.4M), and Westpark

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***

Tollway (\$1.5M). Another contributor was an increase in the Administration component (\$7.9M), which accounts for unpaid tolls, EZ tag fees and violations.

Contributions and other revenues totaled \$4,015,901 or 1% of total revenues and contributions. Contributions of \$3,063,258 for fiscal year 2011 decreased \$4,158,202 compared to fiscal year 2010 contributions of \$7,221,460. Other revenue consists of lease revenue of \$134,086 and miscellaneous revenue of \$818,557. Intergovernmental revenue of \$851,964 is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2011 totaled \$13,528,156 and comprises 3% of total revenues and contributions. This revenue source decreased \$20,053,560 from fiscal year 2010 of \$33,581,716. The decrease is attributable to lower interest rates.



Expenses

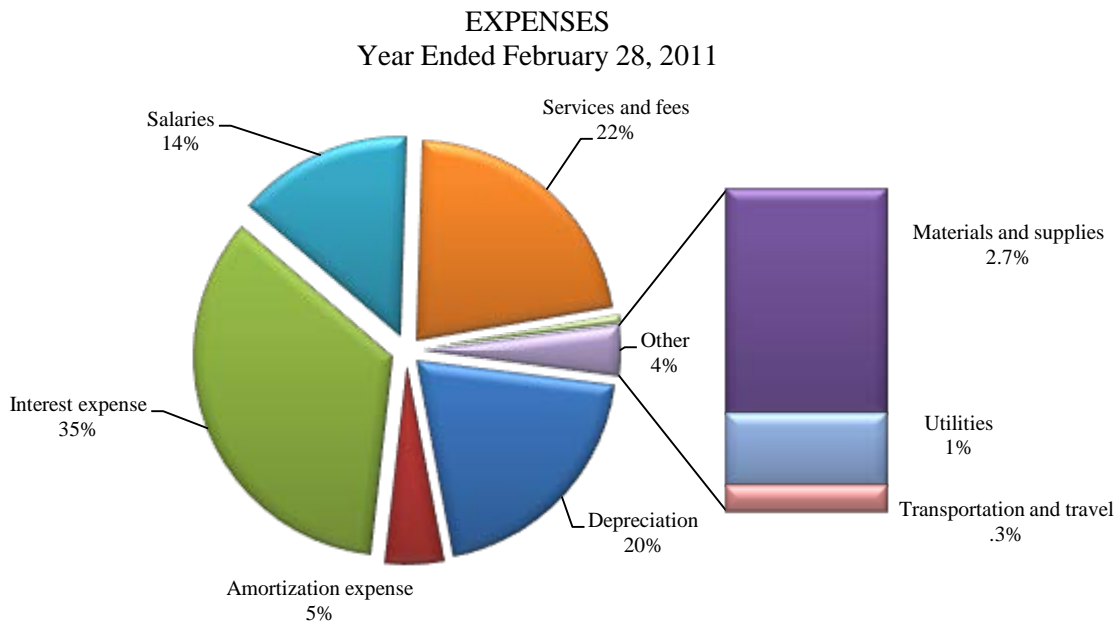
For fiscal year ended February 28, 2011, expenses totaled \$363,266,054, and increased \$3,217,704 from fiscal year 2010 of \$360,048,350.

Interest expense of \$125,570,077 is the Authority's largest expense category and is 35% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries of \$51,442,644 or 14% of total expenses decreased by \$4,023,424 from fiscal year 2010. Services and fees of \$79,340,641 or 22% of total expenses decreased by \$4,253,296 primarily due to a decrease in maintenance and engineering services on roadways and facilities.

The remaining 29% of expenses consisted of depreciation (20%) and amortization expense (5%) and other expenses (4%) and consists of outlays relative to materials and supplies, utilities, and transportation and travel. All of these expense categories are necessary for the operation of the toll road.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***



Transfers

Transfers consisted of transfers out of \$124,352,918 and transfers in of \$1,071,318. The largest component of transfers out was a \$120 million allocation to fund non-toll County road or enhancement projects and a \$4 million transfer for the County to manage a non-toll road project for the Toll Road. The transfers in was for a capital asset transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority’s capital assets, net of accumulated depreciation as of February 28, 2011 and February 28, 2010, amounted to \$2,070,760,980 and \$1,976,023,860, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority’s capital assets, net of accumulated depreciation/amortization increased \$94,737,120 from fiscal year 2010.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***

	Balance February 28, 2011	Balance February 28, 2010
Land	\$ 37,555,220	\$ 29,575,717
Right-of-way	268,002,364	267,842,717
Construction in progress	242,850,474	397,559,639
System integration in progress	5,600,286	17,096,697
License agreement	238,140,451	237,500,000
Land improvements	4,346,766	4,246,045
Infrastructure	2,098,798,007	1,776,820,536
Other tangible assets	22,052,955	21,598,642
Buildings	15,816,102	16,851,174
Equipment	58,249,214	56,509,166
	<u>2,991,411,839</u>	<u>2,825,600,333</u>
Less: Accumulated depreciation/amortization	(920,650,859)	(849,576,473)
Totals	<u>\$ 2,070,760,980</u>	<u>\$ 1,976,023,860</u>

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

Long-term liabilities

At the end of the fiscal year, the balance of the Authority's total outstanding long-term liabilities was \$2,761,767,364. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	Outstanding at February 28, 2011	Outstanding at February 28, 2010
Bonds payable	\$ 2,704,676,608	\$ 2,783,578,440
Derivative instruments - interest rate swaps	42,580,963	-
Compensatory time payable	1,228,622	1,314,920
OPEB obligation	13,281,171	10,358,368
Totals	<u>\$ 2,761,767,364</u>	<u>\$ 2,795,251,728</u>

The Authority has a continuing goal to upgrade the Authority's debt rating. The bond rating services of Moody's Investor's Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the Authority long term bond ratings of Aaa, AAA, and AAA, respectively, for the Unlimited Tax and Subordinate Lien Bonds and Aa3, AA-, and AA-, respectively, for the Senior Lien Revenue Bonds.

See Note 10 to the financial statements for further information on the County's OPEB obligation.

ECONOMIC FACTORS

- Additional non-toll highways, roads and streets, or improvements and expansions to existing free highways, roads and streets that may be constructed by the County, TxDOT, the City of Houston or other public entities may adversely affect the usage of the toll road. TxDOT continues to improve and expand IH-45 and US 59. In particular, IH-45 offers free highway competition to the Hardy Toll Road. Improvements over the past few years to IH-45 from its interchange with the Sam Houston Tollway-West/North Section/Sam Houston Parkway to FM 1960 have enhanced mobility along that segment of the highway.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 28, 2011
(Unaudited)***

- 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. The “park-and-ride” services along IH-10 competes for a portion of the traffic that could otherwise be expected to utilize the Katy Managed Lanes.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor’s Office, 1001 Preston, Suite 800, Houston, Texas 77002, telephone (713)755-6516, or visit the County’s website at www.co.harris.tx.us.

BASIC FINANCIAL STATEMENTS

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2011

ASSETS

Current assets:

Cash and cash equivalents	\$ 40,787,883
Investments	906,373,394
Receivables, net	1,007,900
Accrued interest receivable	3,569,785
Other receivables, net	3,948,617
Due from primary government	1,364,164
Inventories	6,992,554
Prepays and other assets	1,489,747
Restricted cash and cash equivalents	4,419,834
Restricted investments	255,924,674
Total current assets	<u>1,225,878,552</u>

Non-current assets:

Investments, held as collateral by others	15,000,000
Advances to primary government	51,161,193
Notes receivable	714,312
Capital Assets:	
Land and construction in progress	554,008,344
License agreement, net of amortization	235,361,701
Other capital assets, net of depreciation	1,281,390,935
Deferred charges, net of amortization	23,521,855
Deferred outflow - interest rate swaps	42,580,963
Total non-current assets	<u>2,203,739,303</u>
Total assets	<u>3,429,617,855</u>

LIABILITIES

Current liabilities:

Vouchers payable	22,477,945
Accrued payroll and compensated absences	4,410,513
Retainage payable	12,450,639
Customer deposits	1,365,830
Due to primary government	547,143
Due to other units	1,082,284
Deferred revenue	34,959,734
Current portion of long-term liabilities	98,282,814
Total current liabilities	<u>175,576,902</u>

Non-current liabilities:

Bonds payable	2,606,393,794
Derivative instruments - interest rate swaps	42,580,963
Compensatory time payable	466,876
OPEB obligation	13,281,171
Total non-current liabilities	<u>2,662,722,804</u>
Total liabilities	<u>2,838,299,706</u>

NET ASSETS

Invested in capital assets, net of related debt	(231,001,927)
Restricted for capital projects	56,244,927
Restricted for debt service	245,933,048
Unrestricted	520,142,101
Total net assets	<u>\$ 591,318,149</u>

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2011

OPERATING REVENUE

Toll revenue	\$ 481,346,283
Intergovernmental	851,964
Total operating revenue	482,198,247

OPERATING EXPENSES

Salaries	51,442,644
Materials and supplies	9,959,147
Services and fees	79,340,641
Utilities	3,200,664
Transportation and travel	1,110,594
Depreciation and amortization	72,934,209
Total operating expenses	217,987,899
Operating income	264,210,348

NONOPERATING REVENUES

Investment income	13,528,156
Lease income	134,086
Miscellaneous income	818,557
Gain on disposal of capital assets	-
Total nonoperating revenues	14,480,799

NONOPERATING EXPENSES

Interest expense	125,570,077
Amortization expense	17,140,081
Loss on disposal of capital assets	2,567,997
Total nonoperating expenses	145,278,155

Income before contributions and transfers	133,412,992
Contributions	3,063,258
Transfers in	1,071,318
Transfers out	(124,352,918)
Change in net assets	13,194,650
Net assets, beginning of year	578,123,499
Net assets, end of year	\$ 591,318,149

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tolls	\$ 485,931,798
Payments to employees	(48,689,021)
Payments to vendors	(101,698,889)
Receipts from miscellaneous reimbursements	818,557
Net cash provided by operating activities	336,362,445

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Internal receipts from other funds	1,756,568
Transfers to other funds	(123,281,600)
Net cash used for noncapital financing activities	(121,525,032)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from lease of capital assets	134,086
Purchases of capital assets	(173,598,930)
Proceeds from sale of capital assets	406,904
Principal and escrow paid on capital debt	(363,980,000)
Interest paid on capital debt	(133,162,549)
Proceeds from capital debt	283,852,674
Bond issuance cost	(1,107,236)
Net cash used for capital and related financing activities	(387,455,051)

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of monies advanced to primary government	12,399,407
Purchase of investments	(1,780,372,053)
Proceeds from sale and maturity of investments	1,790,101,475
Interest received	26,713,341
Net cash provided by investing activities	48,842,170
Net change in cash and cash equivalents	(123,775,468)
Cash and cash equivalents, beginning	168,983,185
Cash and cash equivalents, ending	\$ 45,207,717

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

Operating income	\$ 264,210,348
Adjustments to operations:	
Depreciation	72,934,209
Other nonoperating revenues (expenses)	818,557
Changes in assets and liabilities:	
Receivables, net	(508,051)
Notes and leases receivable	459,871
Prepays and other assets	5,931,773
Inventories	(675,687)
Vouchers payable and accrued liabilities	(14,490,406)
Retainage payable	4,126,680
Due to other units	(41,436)
Other liabilities	(73,455)
Deferred revenue	3,781,731
Compensatory time payable	(111,689)
Net cash provided by operating activities	\$ 336,362,445

Noncash operating, capital and related financing and investing activities:

Capital contribution received from other governments	\$ 3,063,258
Decrease in the fair market value of investments	(12,682,540)

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Harris County Toll Road Authority (the "Authority") was created by Harris County, Texas, (the "County") by order of the Harris County Commissioners Court on September 22, 1983, with the Commissioners Court designated as the governing body and the operating board of the Authority. The Authority is a department and fund of the County and is charged with overseeing the acquisition, construction, improvement, operation and maintenance of the County toll road facilities (the "Toll Road Project"). The Commissioners Court has full oversight responsibility for the Authority, and the Toll Road Project is an integral part of the County's financial statements. Construction of the Hardy Toll Road, the Sam Houston Tollway, Westpark Tollway and Spur 90A Tollway and acquisition of the Jesse H. Jones Toll Bridge, now referred to as the "Sam Houston Ship Channel Bridge" (the "Toll Roads") have been financed with a combination of unlimited tax and subordinate lien revenue bonds and senior lien revenue bonds. When all of the debt service, as discussed in Note 7, has been paid or provided for in a trust fund, the Toll Roads will become a part of the State of Texas Highway System.

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

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. Implementation of GASB 51 is reflected in the statements and note disclosure (Note 6).

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Implementation of GASB 53 is reflected in the statements and note disclosures (Notes 2 and 7).

GASB Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* ("GASB 58"), establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Implementation of GASB 58 did not have an impact on the Authority's financial disclosures.

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 basic financial statements of the Authority consist of Management's Discussion and Analysis ("MD&A"), Statement of Net Assets, Statement of Revenues, Expenses and Changes 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 Authority's policy to use restricted resources first, then unrestricted resources to the extent they are needed.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

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 and Restricted Net 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, 2011, 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 – Inventory is stated at the lower of cost or market value, using the first-in, first-out method. EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 28, 2011 multiplied by the cost per tag type.

Capital Assets – Capital assets include land, construction in progress, intangibles, buildings, equipment and infrastructure that are used in the Authority's operations and benefit more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the Authority include roads, bridges and right-of-way.

Capital assets of the Authority are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: all land other than easements is capitalized; easements greater than \$100,000 are capitalized. Purchased software greater than \$100,000 is capitalized and internally developed software greater than \$1,000,000 is capitalized. The threshold for capitalizing buildings is \$100,000 and the threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the asset.

All capital assets are stated at historical cost or estimated fair value at the date of purchase. Donated fixed assets are stated at their estimated fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from 3 to 45 years. Roads are depreciated over a 30-year useful life. Equipment is depreciated over 3 to 20 years, depending on the type. Buildings are depreciated over 45 years.

The Authority capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. All interest expense, interest earnings and the amortization of related bond costs were capitalized until September 1987 when the first of four sections of the Toll Road were opened for operations. Prior to fiscal year 2001, net interest and other bond costs have been capitalized based on the percentage of miles of the uncompleted sections to the total miles of the project. Since fiscal year 2001, interest had been capitalized based on the weighted average accumulated expenses multiplied by the weighted average interest rate. Such capitalization increased the total cost of assets constructed by the Toll Road Project by \$4,325,983 during fiscal year 2011.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

Contributions – Federal, State or other government contributions to the Toll Road project are recognized based on the project percentage of completion.

Deferred Charges - Deferred charges consist of bond issuance costs that are amortized on a straight-line basis over the term of the bonds.

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

Risk Management - The Authority's risk-of-loss exposures include exposure to liability and accidental loss of real and personal property as well as human resources. Toll Road operations involve a variety of high-risk activities including, but not limited to, cash collections, construction and maintenance activities. The County's Office of Risk Management is responsible for identifying, evaluating and managing the Authority's risk in order to reduce the exposure from liability and accidental loss of property and human resources. The Authority is treated as a County department by the County's Risk Management Office and is assessed premiums and charges similar to those assessed to other County departments.

The Authority is covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical and indemnity payments. Claims adjusting services are provided by a third-party administrative claims adjusting service. Interfund premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The County has excess insurance coverage for workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2011 was \$850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

Through the County, the Authority provides medical, dental, vision and basic life and disability insurance to eligible employees. The Authority pays the full cost of employee coverage and 50% of the cost of dependent premiums. The disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The Authority's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverages, are paid into the County's Health Insurance Management Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

Billings to the Authority for property insurance, professional liability insurance and crime and fidelity policies are handled through the County's Risk Management Fund as are payments to the insurance carriers. Claim payments made up to the deductible limit are expensed by the Authority when paid by the Risk Management Fund. Payments for the Authority's general, vehicle and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund and billed to the Authority.

Compensated Absences - Accumulated compensatory leave, vacation and sick leave are recorded as an expense and liability as the benefit accrues for the employee.

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

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

Statements of Cash Flows – All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deferred Amount on Refunding - 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.

Deferred Outflows - interest rate swaps – Consists of the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods.

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at a financial institution with no maximum for all non-interest bearing demand deposits, through December 31, 2012. 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, 2011, the carrying amount of the Authority's demand and time deposits was \$5,915,057 and the balance per various financial institutions was \$0. The Authority's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or an irrevocable letter of credit with the Federal Home Loan Bank of Dallas, in accordance with the Public Funds Collateral Act.

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

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

AUTHORIZED INVESTMENTS

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

1. Obligations of the U.S. or its agencies and instrumentalities.
2. Direct obligations of the State of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, with a stated final maturity of 10 years or less.
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the U.S.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
6. Certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are guaranteed or insured by the FDIC or secured by authorized investments that have a market value of not less than the principal amount of the certificates.
7. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of \$1 per share as authorized by the Public Funds Investment Act.
10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
11. Public Funds Investment Pools as authorized by the Investment Act.

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value. The following is a summary of the Authority's cash and investments at February 28, 2011.

	Totals
Cash and Cash Equivalents	\$ 45,207,717
Investments	<u>1,177,298,068</u>
Total Cash & Investments	<u><u>1,222,505,785</u></u>

The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2011, summarized by security type. Also demonstrated are the percentage of total portfolio, the weighted average modified duration in days, and the credit ratings for each summarized security type.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

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	\$ 24,859,375	2.04%	\$ 25,000,000	0.0517	AAA/Aaa
FHLB	120,249,063	9.88%	121,650,000	0.3926	AAA/Aaa
FHLMC	259,084,494	21.29%	260,507,000	0.6257	AAA/Aaa
FNMA	446,889,969	36.73%	449,750,000	1.1253	AAA/Aaa
<i>Commercial Paper</i>					
FCAR	183,458,568	15.08%	183,602,000	0.0400	A-1+/P-1
<i>Local Governments</i>					
Auburn Wash UT	1,948,067	0.16%	1,865,000	0.0166	AA
Burien Wash B	1,084,310	0.09%	1,160,000	0.0086	A1
College Station, TX	1,070,445	0.09%	1,115,000	0.0080	A+/Aa2
College Station, TX	1,285,581	0.11%	1,280,000	0.0122	AA-/Aa2
Connecticut State	3,529,810	0.29%	3,500,000	0.0009	AA/Aa2
Dallas, TX RE	972,380	0.08%	1,000,000	0.0076	AA+/Aa1
Dallas, TX REF	977,020	0.08%	1,000,000	0.0071	Aa/AA+
Dallas, TX WTR	3,607,184	0.30%	3,315,000	0.0257	AAA/Aa1
Denver, CO CIT	3,172,760	0.26%	3,540,000	0.0279	AAA/Aa1
Ellis Cnty, TX	2,723,877	0.22%	2,640,000	0.0174	AA/Aa2
Frisco, TX G/O	1,751,820	0.14%	1,630,000	0.0123	AA/Aa1
Gainesville, FL	420,810	0.03%	415,000	0.0002	AA+/Aa2
Galveston Cnty, TX	2,813,767	0.23%	2,775,000	0.0247	AA/Aa1
Grayson Cnty, TX	3,061,128	0.25%	3,040,000	0.0267	AA+/Aa2
Greensboro, NC	1,931,580	0.16%	2,000,000	0.0178	AAA/Aaa
Harris Cnty, TX Hospital District	7,246,707	0.60%	7,370,000	0.0566	A/A1
Hillsborough, CA	6,639,570	0.55%	7,040,000	0.0500	AA+/Aa1
Hillsborough, CA	6,705,038	0.55%	7,125,000	0.0509	Aa/AA+
Houston, TX ISD	5,130,500	0.42%	5,000,000	0.0592	AAA/AAA
Houston, TX Util Sys Rev	4,585,770	0.38%	4,500,000	0.0449	AA+/Aa2
Idaho Bond	4,257,002	0.35%	4,240,000	0.0349	Aa1
Katy TX ISD	1,032,190	0.08%	1,000,000	0.0085	AAA/Aaa
Katy TX ISD	1,030,860	0.08%	1,000,000	0.0088	AAA/SSS
Mansfield, TX	4,248,280	0.35%	4,000,000	0.0421	AAA/Aaa
Maryland State	1,991,900	0.16%	2,000,000	0.0070	AA+/Aa1
Montgomery Cnty, TX	3,646,650	0.30%	3,500,000	0.0403	AA/Aa2
New York, NY	6,065,010	0.50%	6,000,000	0.0071	AA/Aa2
New York St	2,320,186	0.19%	2,320,000	0.0001	AAA/AA
New York St	3,015,000	0.25%	3,000,000	0.0043	AA/Aa2
New York State University	15,155,550	1.24%	15,000,000	0.2244	AAA/Aae
New York State University	1,513,005	0.12%	1,500,000	0.0034	AAA/AAe
North Texas Mun	1,163,364	0.10%	1,200,000	0.0074	AAA/Aa2
North Texas Mun	1,450,545	0.12%	1,500,000	0.0118	Aa2/Aaa
North TX TWY	3,730,265	0.31%	3,500,000	0.0429	AA+/Aa3
Northwest TX	2,114,040	0.17%	2,000,000	0.0217	AAA/Aaa
Ohio State Dev A	2,251,102	0.19%	2,220,000	0.0039	AA/Aa2
Oregon State ALT	2,632,243	0.22%	2,780,000	0.0277	AA+/Aa1
Pearland, TX	1,087,244	0.09%	1,075,000	0.0096	AA+/Aa2

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Round Rock TX	2,006,660	0.16%	2,000,000	0.0115	AAA/Aaa
Salt Lake Cnty	1,459,567	0.12%	1,630,000	0.0131	AAA/AA+
San Antonio, TX	2,625,583	0.22%	2,635,000	0.0252	AAA/Aaa
San Antonio, TX	2,892,086	0.24%	2,910,000	0.0265	AA/Aa1
San Antonio, TX	1,951,860	0.16%	2,000,000	0.0115	Aa1/AA
San Marcos, TX	1,547,055	0.13%	1,500,000	0.0136	AAA/Aaa
Snohomish Cnty, WA	2,687,605	0.22%	2,760,000	0.0231	AA/Aa2
Texas City, TX	1,330,104	0.11%	1,285,000	0.0142	AA
Travis Cnty, TX	1,541,255	0.13%	1,505,000	0.0144	AAA/Aaa
Weatherford, TX	1,896,796	0.16%	1,825,000	0.0122	Aa3e
Williamson, Cnty, TX	2,755,130	0.23%	2,665,000	0.0221	AAA/Aa1
<i>Money Market Funds</i>					
MMF-HC/METRO	772,787	0.06%	772,787	N/A	AAAm/Aaa
MMF-TLRD	34,800,392	2.86%	34,800,392	N/A	AAAm/Aaa
MMF-TLRD TRUS	1,773,757	0.15%	1,773,757	N/A	AAAm/Aaa
MMF-TLRD TXMP	2,646,062	0.22%	2,646,062	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	1,216,590,728	100.00%	\$ 1,222,361,998		
<i>Demand and Time Deposits</i>	5,915,057				
Total Cash & Investments	\$ 1,222,505,785				

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, the Health Insurance Fund, bond fund reserve accounts, capitalized interest funds, Toll Road Renewal and Replacement, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and Harris County and Metro Joint Deposit Escrow 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, 2011, the Authority was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not

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specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2011, all of the Authority's investments are held in the County's name.

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

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the Harris County and Authority's financial statements. The 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	\$ 726,057,000	923
Toll Road Debt Service	Matching	1,080	157,142,000	87
Toll Road Renewal/Replacement	Matching	1,800	161,355,000	1,276
Toll Road Bond Reserve	Matching	Maturity of the bonds	99,085,000	5,439
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	38,730,000	4,719
Money Market Mutual Funds	N/A	N/A	39,992,998	N/A
			<u>\$ 1,222,361,998</u>	

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

3. OTHER RECEIVABLES

Other receivables as of February 28, 2011 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$3,948,617 is reported net of allowance for doubtful accounts of \$74,156,166.

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 \$34,959,734 in deferred revenues for unearned EZ tag revenues.

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4. NOTES RECEIVABLE

Notes receivable as of February 28, 2011 are comprised of the following:

	<u>Outstanding March 1, 2010</u>	<u>Issued</u>	<u>Receipts</u>	<u>Outstanding February 28, 2011</u>
Sam Houston Race Park	\$ 113,720	\$ -	\$ (7,582)	\$ 106,138
Uptown Houston	884,713	-	(276,539)	608,174
Notes receivable	<u>\$ 998,433</u>	<u>\$ -</u>	<u>\$ (284,121)</u>	<u>\$ 714,312</u>

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 28, 2011 are comprised of the following:

Prepaid surety expense	\$ 481,383
Prepaid office expenses	968,364
Advance funding for Beltway 8 project	40,000
Total	<u>\$ 1,489,747</u>

Advance payments were given to TxDOT for the Authority's funding participation for the Beltway 8 project. These advances are amortized and transferred to construction in progress based on the project percentage of completion.

6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2011 was as follows:

	<u>Balance March 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance February 28, 2011</u>
Land	\$ 29,575,717	\$ 7,979,503	\$ -	\$ -	\$ 37,555,220
Right of way	267,842,717	(7,819)	-	167,466	268,002,364
Construction in progress	397,559,639	166,964,113	(131,144)	(321,542,134)	242,850,474
System Integration in progress	17,096,697	214,953	(6,902,786)	(4,808,578)	5,600,286
Total capital assets not depreciated	<u>712,074,770</u>	<u>175,150,750</u>	<u>(7,033,930)</u>	<u>(326,183,246)</u>	<u>554,008,344</u>
License agreement	237,500,000	-	-	640,451	238,140,451
Land improvements	4,246,045	100,711	-	10	4,346,766
Infrastructure	1,776,820,536	-	-	321,977,471	2,098,798,007
Other tangible assets	21,598,642	9,158	-	445,155	22,052,955
Buildings	16,851,174	246,051	(3,062,867)	1,781,744	15,816,102
Equipment	56,509,166	1,835,521	(1,454,665)	1,359,192	58,249,214
	<u>2,113,525,563</u>	<u>2,191,441</u>	<u>(4,517,532)</u>	<u>326,204,023</u>	<u>2,437,403,495</u>
Less accumulated depreciation/amortization for:					
License agreement	(878,750)	(1,900,000)	-	-	(2,778,750)
Land improvements	(547,870)	(186,392)	-	-	(734,262)
Infrastructure	(813,963,238)	(60,369,047)	-	-	(874,332,285)
Other tangible assets	(15,178,883)	(5,546,549)	-	-	(20,725,432)
Buildings	(2,422,252)	(441,895)	476,447	-	(2,387,700)
Equipment	(16,585,480)	(4,490,326)	1,389,807	(6,431)	(19,692,430)
	<u>(849,576,473)</u>	<u>(72,934,209)</u>	<u>1,866,254</u>	<u>(6,431)</u>	<u>(920,650,859)</u>
Total capital assets being depreciated, net	<u>1,263,949,090</u>	<u>(70,742,768)</u>	<u>(2,651,278)</u>	<u>326,197,592</u>	<u>1,516,752,636</u>
Total capital assets, net	<u>\$ 1,976,023,860</u>	<u>\$ 104,407,982</u>	<u>\$ (9,685,208)</u>	<u>\$ 14,346</u>	<u>\$ 2,070,760,980</u>

The \$14,346 balance in the transfers column is due to assets that were transferred from Harris County funds.

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7. LONG-TERM LIABILITIES

The Authority has financed the Toll Road Projects with a combination of unlimited tax and subordinate lien revenue bonds, senior lien revenue bonds, and commercial paper. The proceeds from such bonds, including the interest earned thereon, are being used to finance the construction costs, the related debt service, and a portion of the maintenance and operating expenses.

Changes in the Authority's Long-Term Liabilities for fiscal year 2010-2011 were as follows:

	<u>Outstanding</u> <u>March 1, 2010</u>	<u>Issued/</u> <u>Increased</u>	<u>Paid/</u> <u>Decreased</u>	<u>Outstanding</u> <u>February 28, 2011</u>	<u>Due Within</u> <u>One Year</u>
Senior Lien Revenue Bonds	\$ 2,136,640,000	\$ 254,330,000	\$ (286,545,000)	\$ 2,104,425,000	\$ 37,645,000
Tax Bonds	624,030,000	25,410,000	(66,170,000)	583,270,000	45,380,000
Total Bond Principal	2,760,670,000	279,740,000	(352,715,000)	2,687,695,000	83,025,000
Unamortized Premium, Revenue Bonds	45,114,247	1,490,447	(5,577,819)	41,026,875	-
Unamortized Premium/(Discount), Tax Bonds	34,708,478	(640,034)	(6,896,560)	27,171,884	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1995A	19,873,789	4,653,043	(9,550,000)	14,976,832	8,452,238
Unlimited Tax Series 1997	5,718,666	1,108,669	(1,715,000)	5,112,335	1,521,730
Deferred Amount on Refunding	(89,607,163)	(17,717,689)	30,734,688	(76,590,164)	-
Accrued Interest Payable	7,100,423	124,653,682	(126,470,259)	5,283,846	5,283,846
Total Bonds Payable	2,783,578,440	393,288,118	(472,189,950)	2,704,676,608	98,282,814
Derivative Instruments - interest rate swaps	-	42,580,963	-	42,580,963	-
Compensatory Time Payable	1,314,920	650,057	(736,355)	1,228,622	761,746
OPEB Obligation	10,358,368	2,922,803	-	13,281,171	-
Totals - Toll Road Fund Liabilities	<u>\$ 2,795,251,728</u>	<u>\$ 439,441,941</u>	<u>\$ (472,926,305)</u>	<u>\$ 2,761,767,364</u>	<u>\$ 99,044,560</u>

A. Outstanding Bonded Debt – February 28, 2011 – Pertinent Information by Issue

<u>Issue</u>	<u>Original</u> <u>Issue Amount</u>	<u>Interest</u> <u>Rate</u> <u>Range %</u>	<u>Term</u> <u>Issue</u>	<u>Maturity</u> <u>Range</u>	<u>Outstanding</u> <u>Balance</u> <u>February 28, 2011</u>
Senior Lien Revenue Bonds					
Refunding Series 2002	\$ 397,520,000	5.00-5.375	2002	2003-2024	\$ 163,480,000
Refunding Series 2004A	168,715,000	4.50-5.00	2004	2022-2033	168,715,000
Refunding Series 2004B	478,270,000	2.50-5.00	2004	2005-2018	177,795,000
Refunding Series 2006A	135,530,000	4.50-5.00	2006	2006-2036	135,530,000
Refunding Series 2007A	275,340,000	4.00-5.00	2007	2008-2033	269,075,000
Refunding Series 2007B	145,570,000	Floating	2007	2034-2036	145,570,000
Refunding Series 2008B	324,475,000	4.625-5.25	2008	2012-2047	324,475,000
Series 2009A	215,455,000	4.00-5.00	2009	2016-2038	215,455,000
Series 2009C	250,000,000	5.00	2009	2016-2049	250,000,000
Refunding Series 2010A	199,915,000	2.00	2010	2015-2021	199,915,000
Refunding Series 2010C	18,995,000	0.88-2.79	2010	2011-2016	18,995,000
Refunding Series 2010D	35,420,000	3.00-5.00	2010	2011-2030	35,420,000
Total Principal Senior Lien Revenue Bonds					2,104,425,000
Unamortized Premiums and Discounts					41,026,875
Total Senior Lien Revenue Bonds					<u>\$ 2,145,451,875</u>

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Issue	Issue Amount	Range %	Issue	Range	February 28, 2011
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1994 A	\$ 59,925,000	6.50-8.00	1994	2008-2013	\$ 33,160,000
Refunding Series 1995 A - CAB	1,500,000	5.80-6.05	1995	2002-2012	250,000
Refunding Series 1997	150,395,000	5.00-5.125	1997	2014-2024	25,855,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	600,000
Refunding Series 2001	120,740,000	6.00	2001	2009-2014	84,925,000
Refunding Series 2002	42,260,000	4.00-5.25	2002	2009-2015	15,085,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	321,745,000
Refunding Series 2008A	76,240,000	3.25-5.00	2008	2011-2016	76,240,000
Refunding Series 2010B	25,410,000	0.77-2.09	2010	2011-2015	25,410,000
Total Tax Bonds					583,270,000
Unamortized Premiums and Discounts					27,171,884
Accretion of Discount - Capital Appreciation Bonds					20,089,167
Total Tax Bonds					<u>\$ 630,531,051</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 3.86 as of February 28, 2011.

C. Debt Service Requirements

Total interest expense was \$125,570,077 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal 2/28/2011	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2012	\$ 83,025,000	\$ 9,973,968	\$ 92,998,968	\$ 137,823,380	\$ 230,822,348
2013	91,405,000	7,843,886	99,248,886	135,865,846	235,114,732
2014	105,305,000	2,271,313	107,576,313	122,622,305	230,198,618
2015	103,025,000	-	103,025,000	124,298,847	227,323,847
2016	95,345,000	-	95,345,000	108,812,147	204,157,147
2017-2021	512,240,000	-	512,240,000	464,595,003	976,835,003
2022-2026	443,835,000	-	443,835,000	361,203,815	805,038,815
2027-2031	426,290,000	-	426,290,000	257,285,924	683,575,924
2032-2036	537,405,000	-	537,405,000	137,181,099	674,586,099
2037-2041	149,235,000	-	149,235,000	52,573,975	201,808,975
2042-2046	90,620,000	-	90,620,000	25,525,025	116,145,025
2047-2051	49,965,000	-	49,965,000	3,250,269	53,215,269
Total	<u>\$ 2,687,695,000</u>	<u>\$ 20,089,167</u>	<u>\$ 2,707,784,167</u>	<u>\$ 1,931,037,635</u>	<u>\$ 4,638,821,802</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

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a pledged of its unlimited ad valorem taxing power. As of February 28, 2011, the unissued authorized bonds for the toll road project are \$15,148,000.

E. Defeasance of Debt

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 28, 2011, the outstanding principal balance of these defeased bonds was \$1,994,825,000.

F. Debt Issuances

On May 12, 2010, the County pledged a \$10,000,000 Federal Home Loan Mortgage Corp. (FHLMC), bond to Citibank to cover the collateral threshold shortfall on the \$199,915,000 interest rate swap for the 2009B Series bonds.

On July 1, 2010, the County pledged a \$10,000,000 Federal National Mortgage Association (FNMA) bond to Citibank to cover the collateral threshold shortfall on the \$199,915,000 interest rate swap for the 2009B Series bonds and a portion of the \$72,785,000 interest rate swap for the 2007B Series bonds. The FHLMC bond pledged on May 12, 2010 was returned.

On July 1, 2010, the County pledged a \$10,000,000 Federal National Mortgage Association (FNMA) bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the 2007B Series bonds.

On August 11, 2010, the County issued \$199,915,000 in Toll Road Senior Lien Revenue Refunding Bonds, Series 2010A to refund and defease the Toll Road Senior Lien Revenue Refunding Bonds, Series 2009B and to pay the costs of such issuance. The initial interest rate is 2.0%. The issuance had a premium of \$3,324,586. Interest accrues semiannually and the bonds mature in fiscal year 2021.

On August 13, 2010, the County pledged a \$10,000,000 Federal National Mortgage Association (FNMA) bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the 2007B Series bonds. The FNMA bond pledged on July 1, 2010 was returned.

On September 3, 2010, the County pledged a \$25,000,000 FNMA bond to Citibank to cover the collateral shortfall on the \$199,915,000 interest rate swap for the 2010A Series bonds.

On November 18, 2010, the County issued \$25,410,000 of Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2010B to provide additional funds to pay qualifying costs of toll road projects, to partially refund and defease the County's outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2002 and to pay the costs of such issuance. The annual interest rates range from 0.77% to 2.09%. Interest accrues semiannually and the bonds mature in fiscal year 2015. The refunding resulted in a decrease in cash flow requirements of \$859,862 and had an economic gain of \$822,116.

On November 18, 2010, the County issued \$18,995,000 of Toll Road Senior Lien Revenue Refunding Bonds, Taxable Series 2010C to partially refund and defease the County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2002 and to pay the costs of such issuance. The annual interest rates range from 0.88% to 2.79%. Interest accrues semiannually and the bonds mature in 2016. The refunding resulted in a decrease of cash flow requirements of \$536,539 and had an economic gain of \$508,204.

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On November 18, 2010, the County issued \$35,420,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2010D to partially refund and defease County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2002, Toll Road Senior Lien Revenue Refunding Bonds, Series 2005A and to pay the costs of such issuance. The annual interest rates range from 3.0% to 5.0%. This issuance had a premium of \$1,670,777. Interest accrues semiannually and the bonds mature in 2030. The refunding resulted in a decrease in cash flow requirements of \$2,264,225 and had an economic gain of \$1,693,136.

On February 25, 2011, the County pledged a \$15,000,000 FNMA bond to Citibank to cover the collateral shortfall of the \$199,915,000 interest rate swap for the 2010A Series bonds. The collateral pledged on September 3, 2010 was returned.

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, 2011, the Toll Road has no outstanding commercial paper and there was no commercial paper activity during the year ended February 28, 2011.

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.

H. Interest Rate Swap

The County entered an interest rate swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2010A and the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an interest rate swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

Terms:

	Citibank-Toll Road Authority, Series 2010A	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	\$199,915,000	\$72,785,000	\$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15 th day of each month	The 15 th day of February, May, August and November	The 15 th day of February, May, August and November
Collateral Threshold: (b)	(\$15,000,000) (c)	(\$15,000,000)	(\$15,000,000)
Fair Value as of 2/28/11:	(\$20,796,325)	(\$10,892,319)	(\$10,892,319)

(a) The notional amount for the swaps amortizes to match the outstanding bond.

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

(c) FNMA note with a \$15,000,000 par at 1.50% has been transferred to Citibank as collateral under the terms of the swap agreements related to Toll Road Senior Revenue Refunding Bonds, Series 2010A.

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

Summary of GASB 53 Effectiveness Testing:

	Citibank–Toll Road Authority, Series 2010A	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Derivative Instrument	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap
Hedge Type	Cash Flow Hedge	Cash Flow Hedge	Cash Flow Hedge
Method of Effectiveness Testing	Dollar Offset	Consistent Critical Terms	Consistent Critical Terms
Result of Effectiveness Testing	Effective	Effective	Effective

Risks:

	Citibank–Toll Road Authority, Series 2010A	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk: Credit Ratings Moody's, S&P, and Fitch	A1, A+, and A+	A1, A+, and A+	Aa1, AA-, and AA-
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is \$20,796,325, which is based on a fair market value calculation.	The exposure to the County is \$10,892,319, which is based on a fair market value calculation.	The exposure to the County is \$10,892,319, which is based on a fair market value calculation.

I. Subsequent Debt Related Activity

On May 24, 2011, the County pledged a \$20M Federal National Mortgage (FNMA) bond to Citibank to cover the collateral threshold shortfall on the \$199,915,000 interest rate swap for the Series 2010A bonds. The FNMA bond pledged on February 25, 2011 was returned.

On August 1, 2011, the County pledged a \$5M Federal Farm Credit Bank bond to JP Morgan to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds. There was no change to the collateral pledged to Citibank.

On August 11, 2011, the County pledged a \$5M Federal Farm Credit Bank bond to JP Morgan to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds. There was no change to the collateral pledged on August 1, 2011.

On August 11, 2011, the County issued \$199,915,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2011A to refund and defease County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2010A, and to pay the costs of such issuance. The annual interest rate is 2.0%. This issuance had a premium of \$3,488,517. Interest accrues semiannually and the bonds mature in 2021.

J. Arbitrage Rebate Liability

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental

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NOTES TO FINANCIAL STATEMENTS
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bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2011. As of February 28, 2011 there were no estimated liabilities for arbitrage rebate on enterprise debt.

8. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 28, 2011 were as follows:

Balance March 1, 2010	Earned	Taken/ Paid	Balance February 28, 2011	Due Within One Year
\$ 1,314,920	\$ 650,057	\$ (736,355)	\$ 1,228,622	\$ 761,746

9. RETIREMENT PLAN

Plan Description - The County provides retirement, disability, and death benefits for all of its employees (excluding temporary) through a non-traditional, defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 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 enacted in 1991, effective January 1, 1992 the County selected a plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan’s 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2011 is 9.82%. The contribution rates for calendar years 2010 and 2009 were 11.31% and 9.74%, respectively.

The plan provisions are adopted by the Commissioners Court of the County, within the options available in the state statutes governing TCDRS (“TCDRS Act”). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after eight years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

Funding Policy - The County has elected the annually determined contribution rate (“ADCR”) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the

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contribution rate of the County is actuarially determined annually. The County contributed using 11.31% for the months of the calendar year in 2010, and 9.82% for the months of the calendar year in 2011.

The contribution rate payable by the employee members for 2010 and 2011 is the rate of 7% and 6% respectively, as adopted by Commissioner's Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner's Court within the options available in the TCDRS Act.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost - For the County's fiscal year ended February 28, 2011, the annual pension cost for the TCDRS plan for its employees, including the Authority, was \$89,543,487 and the actual contributions for the Authority were \$3,701,885. (This excludes actuarial contributions of \$3,459,657 for Community Supervision, which is not considered a department or component unit of the County.) The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 report is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.3 %	5.4 %	5.4 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/11	\$ 89,543,487	100%	-
2/28/10	\$ 84,946,672	100%	-
2/28/09	\$ 79,047,481	100%	-

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/10
Actuarial Value of Assets	\$2,739,687,861
Actuarial Accrued Liability (AAL)	\$3,123,164,193
Unfunded Actuarial Accrued Liability (UAAL)	\$ 383,476,332
Funded Ratio	87.72%
Annual Covered Payroll (Actuarial)	\$ 849,143,883
UAAL as Percentage of Covered Payroll	45.16%

10. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

Harris County administers an agent multiple-employer defined benefit post employment healthcare plan that covers retired employees of participating governmental entities. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioner's Court.

Membership in the plan at March 1, 2009, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,361
Active plan members	14,841
Number of participating employers	5

Summary of Significant Accounting Policies

Basis of Accounting. The Plan's transactions are recorded using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable.

Method Used to Value Investments. Investments are reported at fair value, which is based on quoted market prices with the difference between the purchase price and market price being recorded as earnings on investments.

Contributions

Local Government Code Section 157.102 assigns to Commissioner's Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The following tables present the criteria for the employers' contribution to the retiree's and qualifying dependent's benefits:

Retired Prior to March 1, 2002:

Years of Service	10 yrs.	9 yrs.	8 yrs.	< 8yrs. with proportionate service and/or disability
Retiree - Employer Share	100%	90%	80%	50%
Retiree - Retiree Share	0%	10%	20%	50%
Dependent - Employer Share	50%	45%	40%	25%
Dependent - Retiree Share	50%	55%	60%	75%

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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Retired or Eligible to Retire Prior to March 1, 2011:

Employee's age plus years of service	75	75	70-74	< 70	N/A
Years of service	10	8-9	8	4-7	< 4
Consecutive service years at retirement	4	4	4	4	N/A
Retiree - Employer Share	100%	80%	80%	50%	0%
Retiree - Retiree Share	0%	20%	20%	50%	100%
Dependent - Employer Share	50%	40%	40%	25%	0%
Dependent - Retiree Share	50%	60%	60%	75%	100%

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% County contributions for retiree coverage and 50% for dependent coverage. Retirees under age 65 will be required to pay an additional contribution as determined by Commissioner's Court.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive any County contributions for retiree or dependent coverage.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2011, plan members or beneficiaries receiving benefits contributed \$5.28 million, or approximately 13.6 percent of total benefits paid during the year. Participating employers contributed \$33.59 million. The total contributions for the year ended February 28, 2011 was \$38.87 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

THE EMPLOYER:

Annual OPEB Cost

For 2011, the County's annual OPEB cost (expense) was \$88,451,513 (including Toll Road of \$3,657,598) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2011 were as follows:

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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Annual Required Contribution	\$ 91,445,740
Add interest on Net OPEB Obligation	9,946,649
Less adjustment to Annual Required Contribution	(12,940,876)
Annual OPEB Cost	88,451,513
Less Contributions made	(33,588,280)
Change in Net OPEB Obligation	54,863,233
Net OPEB Obligation, beginning of the year	198,932,991
Net OPEB Obligation, end of the year	<u>\$ 253,796,224</u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2009	\$ 96,615,958	\$ 26,823,612	28%	\$ 140,001,754
2/28/2010	89,338,513	30,407,276	34%	198,932,991
2/28/2011	88,451,513	33,588,280	38%	253,796,224

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The annual net OPEB obligation for Emergency 911 and Community Supervision is \$379,397 and \$0 respectively for fiscal year 2010 and the net OPEB obligation for Emergency 911 and Community Supervision is \$468,194 and \$0 respectively at February 28, 2011. Toll Road's portion of the net OPEB obligation above is \$13,281,171.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2009 (most recent actuarial valuation) was as follows:

	<u>All Participants</u>	<u>Toll Road Portion</u>
Unfunded actuarial accrued liability (UAAL)	\$ 859,681,747	\$ 25,856,100
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 722,468,180	\$ 31,555,121
UAAL as a percentage of covered payroll	119%	82%

The "All Participants" column in the above table includes UAAL of \$915,483 for Emergency 911 and UAAL of \$16,210,643 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County's UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2009, actuarial valuation, a 5.00% discount rate was used. The medical trend rates of 8% for 2009, and 7% for 2011 graded down to an ultimate rate of 5% by 2012 per the actuary's best estimate of expected long-term plan experience.

The actuarial cost method used in valuing the County's liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Additional Disclosures

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

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

GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

11. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of \$138,070,391.

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.

Joint Deposit/Escrow Account

On July 23, 2002, the Commissioners Court approved an agreement for a joint deposit/escrow account between the Authority and Metro and to deposit \$13.8 million in the account. An additional \$16.4 million was approved by Commissioners Court in November 2003 and deposited into the escrow account. The Authority's construction and operation of toll road facilities within the Westpark Corridor may necessitate Metro's incurring architectural and engineering costs in connection with its future development of its public transit projects in the Westpark Corridor over and above the costs it would otherwise incur if no toll road facilities were constructed in the easements acquired by the Authority. The terms of the escrow agreement provide that the principal and interest can only be used if and when Metro elects to proceed with the development of a transit system in its portion of the Westpark Corridor. The escrow agreement terminates December 31, 2025 and any funds remaining in the escrow account will be disbursed to the Toll Road Authority.

12. TRANSFERS AND ADVANCES

The Commissioners Court approved a \$120 million annual allocation for funding of a County thoroughfare program to increase general mobility and an additional \$4 million for the County to manage a non-toll bridge project for the Toll Road.

In September 2006, the Authority advanced \$26 million to the County's General Fund to cover the County's repayment of a long term note on behalf of the Harris County Sports & Convention Corporation. Repayment of the note plus interest by the Harris County-Houston Sports Authority to the County and subsequently to the Authority began in 2011 and will continue through 2020. The interfund borrowing was \$31 million at February 28, 2011.

In October 2008, Commissioners Court approved an interfund borrowing and line of credit from the Harris County Toll Road Authority to the Hurricane Ike Disaster Fund, not to exceed \$60 million. The borrowing and line of credit had a one-year maturity with principal and interest due at maturity with an option for Commissioners Court to extend the note for two additional years with principal and interest payable at maturity. During the fiscal year the note was extended for an additional year. The interfund borrowing was \$20 million at February 28, 2011.

13. REVENUE LEASES

Operating Leases

The Authority was the lessor in several operating leases for office space. In the current year, the building was demolished. There was rent revenue recognized in the amount of \$29,706.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011

There are contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to \$11,700 in 2011.

14. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”), establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 will be implemented by the Authority in fiscal year 2012 and the impact has not yet been determined.

GASB Statement No. 59, *Financial Instruments Omnibus* (“GASB 59”), updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 will be implemented by the Authority in fiscal year 2012 and the impact has not yet been determined.

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* (“GASB 60”), improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. GASB 60 will be implemented by the Authority in fiscal year 2013 and the impact has not yet been determined.

GASB Statement 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* (“GASB 61”), which modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. GASB 61 will be implemented by the Authority in fiscal year 2014 and the impact has not yet been determined.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (“GASB 62”), which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board Opinions; 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. GASB 62 will be implemented by the Authority in fiscal year 2013 and the impact has not yet been determined.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 28, 2011
(Unaudited)**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	3/1/2007	\$ -	\$ 852,350,950	\$ 852,350,950	0%	\$ 760,995,816	112.0%
2010	3/1/2009	-	859,681,747	859,681,747	0%	766,400,980	112.2%
2011	3/1/2009	-	859,681,747	859,681,747	0%	722,468,180	119.0%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$915,483 and \$16,210,643 respectively.

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	3/1/2007	\$ -	\$ 23,508,770	\$ 23,508,770	0%	\$ 36,039,432	65.2%
2010	3/1/2009	-	25,856,100	25,856,100	0%	34,886,412	74.1%
2011	3/1/2009	-	25,856,100	25,856,100	0%	31,555,121	81.9%

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
February 28, 2011
(Unaudited)**

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial Value of Assets	\$2,355,663,641	\$2,619,204,575	\$2,739,687,861
Actuarial Accrued Liability (AAL)	\$2,724,786,646	\$2,978,320,920	\$3,123,164,193
Unfunded Actuarial Accrued Liability (UAAL)	\$ 369,123,005	\$ 359,116,345	\$ 383,476,332
Funded Ratio	86.45%	87.94%	87.72%
Annual Covered Payroll (Actuarial)	\$ 839,919,068	\$ 882,729,740	\$ 849,143,883
UAAL as Percentage of Covered Payroll	43.95%	40.68%	45.16%

OTHER INFORMATION

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Traffic Count Table
Schedule 1
(Unaudited)

Component/Segment	2007	2008	2009	2010	2011
Hardy Toll Road-North	14,844,875	16,938,676	16,744,345	16,675,453	16,953,587
Hardy Toll Road-South	19,194,355	20,975,028	19,876,515	20,453,863	20,422,457
Sam Houston Tollway-South	67,495,296	70,584,503	64,640,311	67,090,295	67,798,603
Sam Houston Tollway-Central	56,979,721	56,124,887	53,294,082	54,839,139	55,851,055
Sam Houston Tollway-North	64,503,481	65,373,379	63,185,142	66,125,261	68,303,640
Sam Houston Ship Channel Bridge	12,685,800	13,263,584	12,121,030	13,325,844	13,437,267
Sam Houston Tollway-North/East (a)	-	-	-	-	77,277
Sam Houston Tollway-East	19,094,698	20,166,224	20,035,646	20,232,715	20,578,112
Sam Houston Tollway-South/East	26,790,083	27,928,955	26,821,418	27,619,521	27,897,817
Sam Houston Tollway-South/West	34,006,958	34,769,529	31,883,756	32,531,986	32,468,990
Westpark Tollway	41,553,985	45,961,833	42,023,500	39,287,894	39,534,868
Spur 90A / Fort Bend Parkway Extension	2,803,683	3,645,128	3,322,965	3,294,631	3,121,672
Katy Managed Lanes (b)	-	-	-	9,769,172	14,219,063
Total	359,952,935	375,731,726	353,948,710	371,245,774	380,664,408

(a) Sam Houston Tollway-North/East opened in February 2011.

(b) Katy Managed Lanes opened in April 2009.

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

Toll Rate Schedule Effective as of September 11, 2010

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
<u>Two Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.75-1.50	\$ 0.75-1.50	\$ 0.50-1.30
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	\$ 1.50
Westpark	N/A	N/A	\$ 0.35-1.30
Hwy 90A	N/A	\$ 1.50	\$ 1.30
Katy Managed Lanes	N/A	N/A	\$ 0.30-1.60
<u>Three to Six Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.50-7.50	N/A	\$ 1.25-7.50
Sam Houston Ship Channel Bridge	\$ 3.00-7.50	N/A	\$ 3.00-7.50
Westpark	N/A	N/A	\$ 1.00-7.50
Hwy 90A	N/A	\$ 3.00-7.50	\$ 3.00-7.50
Katy Managed Lanes	N/A	N/A	\$ 7.00

Toll Rate Schedule Effective as of September 12, 2009

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

Toll Rate Schedule Effective as of September 3, 2007

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
<u>Two Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.75-1.50	\$ 0.75-1.50	\$ 0.75-1.25
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	\$ 1.50
Westpark	N/A	N/A	\$ 0.35-1.25
Hwy 90A	N/A	\$ 1.00	\$ 0.75
<u>Three to Six Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.25-7.50	N/A	\$ 1.25-7.50
Sam Houston Ship Channel Bridge	\$ 3.00-7.50	N/A	\$ 3.00-7.50
Westpark	N/A	N/A	\$ 1.00-6.25
Hwy 90A	N/A	\$ 1.75-5.00	\$ 1.75-5.00

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS

Toll Road Selected Financial Information

Schedule 3

(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues					
Toll revenues	\$ 392,992,697	\$ 428,867,531	\$ 442,015,417	\$ 455,547,954	\$ 481,346,283
Intergovernmental revenues	1,612,040	1,286,116	994,397	1,164,416	851,964
Total Operating Revenues	<u>394,604,737</u>	<u>430,153,647</u>	<u>443,009,814</u>	<u>456,712,370</u>	<u>482,198,247</u>
Operating Expenses					
Salaries	33,198,646	46,510,889	53,515,886	55,466,068	51,442,644
Materials and supplies	23,707,444	11,650,933	8,072,061	12,824,260	9,959,147
Services and fees	39,362,124	30,121,112	51,940,426	83,593,937	79,340,641
Utilities	2,895,118	3,296,602	2,866,487	3,397,126	3,200,664
Transportation and travel	690,508	866,963	1,075,839	1,113,147	1,110,594
Depreciation	59,704,746	62,889,174	67,034,586	70,734,726	72,934,209
Total Operating Expenses	<u>159,558,586</u>	<u>155,335,673</u>	<u>184,505,285</u>	<u>227,129,264</u>	<u>217,987,899</u>
Income from Operations	<u>235,046,151</u>	<u>274,817,974</u>	<u>258,504,529</u>	<u>229,583,106</u>	<u>264,210,348</u>
Nonoperating Revenues					
Investment income	39,390,825	49,023,466	41,253,022	33,581,716	13,528,156
Lease revenues	740,389	487,579	462,981	309,383	134,086
Other	11,251	4,405,838	599,298	1,644,187	818,557
Total Nonoperating Revenues	<u>40,142,465</u>	<u>53,916,883</u>	<u>42,315,301</u>	<u>35,535,286</u>	<u>14,480,799</u>
Nonoperating Expenses					
Interest expense	103,386,119	103,326,312	106,674,114	116,887,849	125,570,077
Amortization expense	13,726,840	14,309,780	14,555,334	15,804,220	17,140,081
Other	-	-	18,770	227,017	2,567,997
Total Nonoperating Expenses	<u>117,112,959</u>	<u>117,636,092</u>	<u>121,248,218</u>	<u>132,919,086</u>	<u>145,278,155</u>
Net Income Before Contributions and Transfers Out	158,075,657	211,098,765	179,571,612	132,199,306	133,412,992
Contributions (a)	3,113,317	3,059,437	9,197,722	7,221,460	3,063,258
Transfers In	-	21,769	-	9,982	1,071,318
Transfers Out (b)	(31,112,333)	(120,480,464)	(120,237,481)	(127,123,534)	(124,352,918)
Change in Net Assets	<u>\$ 130,076,641</u>	<u>\$ 93,699,507</u>	<u>\$ 68,531,853</u>	<u>\$ 12,307,214</u>	<u>\$ 13,194,650</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) Commissioners Court annually authorizes the transfer of Harris County Toll Road Authority net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility. The transfers were as follows: fiscal year 2007 - \$28.4 million, fiscal years 2008, 2009, 2010 & 2011 - \$120 million.

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

Fiscal Year	Project	(a)			(b)		Revenues		Coverage
		Other	Debt Service	Coverage Ratio	O & M	Available For	Debt	Ratio On	
Ending	Revenues	Earnings	Senior Lien	On Senior Lien	Expenses	Unlimited	Service	Unlimited	
			Revenue	Revenue Bonds		Subordinate	Tax Bonds	Subordinate	
			Bonds			Lien Tax Bonds		Lien Tax Bonds	
2002	\$ 234,674,805	\$ 23,262,829	\$ 52,677,208	4.897	\$33,453,815	\$ 171,806,611	\$ 74,756,674	2.298	
2003	244,170,745	15,926,325	49,727,149	5.230	39,962,567	170,407,354	67,483,545	2.525	
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264	
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434	
2006	349,341,225	20,759,221	75,387,443	4.909	58,899,030	235,813,973	75,453,269	3.125	
2007	392,992,697	41,647,566	92,115,954	4.718	74,627,072	267,897,237	75,413,268	3.552	
2008	428,867,531	50,694,456	85,536,226	5.607	85,131,990	308,893,771	74,690,589	4.136	
2009	442,015,417	42,667,384	99,699,357	4.861	104,062,177	280,921,267	73,760,398	3.809	
2010	455,547,954	35,046,568	103,633,212	4.734	120,029,107	266,932,203	87,130,769	3.064	
2011	481,346,283	14,507,528	128,566,976	3.857	121,195,357	246,091,478	85,923,975	2.864	

(a) Total investment income less interest revenue from the Office Building. Includes lease revenue income and intergovernmental income.

(b) O&M expenses are from TRA Operations and Maintenance funds.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Revenues by Toll Road Components/Segments
Schedule 5
(Unaudited)

Component/Segment	2007	2008	2009	2010	2011
Hardy Toll Road-North	\$ 14,981,525	\$ 18,355,035	\$ 19,229,430	\$ 20,088,044	\$ 20,647,462
Hardy Toll Road-South (a)	18,105,401	22,382,009	23,279,910	24,009,520	24,408,303
Sam Houston Tollway-South	62,831,888	72,011,783	74,453,883	78,060,690	80,367,222
Sam Houston Tollway-Central	56,966,197	61,753,737	63,447,659	67,911,657	70,335,317
Sam Houston Tollway-North	66,076,156	73,733,209	76,515,321	79,383,506	83,017,591
Sam Houston Ship Channel Bridge	23,187,641	24,088,354	21,816,438	23,582,542	23,812,955
Sam Houston Tollway-East	20,360,429	23,551,201	25,109,264	25,348,655	26,081,234
Sam Houston Tollway-South/East	27,344,571	31,543,731	32,969,486	34,034,551	34,906,120
Sam Houston Tollway-South/West	30,703,175	34,661,216	36,374,354	37,167,979	37,595,333
Sam Houston Tollway-North/East (h)	-	-	-	-	72,709
Westpark Tollway	33,316,113	41,871,471	42,232,814	39,917,629	41,427,251
Spur 90A	1,449,018	2,375,092	2,489,264	3,189,139	3,892,055
Katy Managed Lanes (g)	-	-	-	3,838,968	6,715,041
Administration (b)	35,196,101	17,777,848	17,145,187	9,583,403	17,581,267
Fort Bend	1,391,956	1,717,492	1,591,854	1,439,845	1,494,072
IOP-NTTA (c)	917,995	1,605,179	2,242,924	3,316,047	3,831,919
IOP-TTA (d)	164,531	1,435,807	2,589,326	4,089,900	4,922,416
IOP-CTRMA (e)	-	4,367	33,842	40,768	47,487
Airport GT (f)	-	-	17,387	29,471	13,007
Airport Park (f)	-	-	477,074	515,640	177,521
Total	<u>\$ 392,992,697</u>	<u>\$ 428,867,531</u>	<u>\$ 442,015,417</u>	<u>\$ 455,547,954</u>	<u>\$ 481,346,282</u>

- (a) Includes toll revenues collected for the Airport Connector.
- (b) Consist of EZ tag fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.
- (c) 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.
- (d) Implemented in February 2006, an interlocal agreement allows for tag patrons to use both the HCTRA and the TxTag administered by the Texas Transportation Commission. The figures shown represent TxTag tag holders' usage on the HCTRA system and may include revenue from any segment of the system.
- (e) Implemented in January 2008, an interlocal agreement allows for tag holders' usage to the HCTRA, NTTA, Central Texas Regional Mobility and TxDOT toll collections systems within the state. The figure shown represents toll collections attributable to the interoperability program with CTRMA.
- (f) Airport GT and Park opened August 2008.
- (g) Katy Managed Lanes opened in April 2009.
- (h) Sam Houston Tollway North/East opened in February 2011.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS

Toll Road Bonds Debt Service Requirements

Schedule 6

(Unaudited)

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	45,380,000	39,792,767	85,172,767	37,645,000	98,030,613	135,675,613	83,025,000	137,823,380	220,848,380
2013	47,000,000	37,906,610	84,906,610	44,405,000	97,959,236	142,364,236	91,405,000	135,865,846	227,270,846
2014	57,695,000	27,010,934	84,705,934	47,610,000	95,611,371	143,221,371	105,305,000	122,622,305	227,927,305
2015	51,770,000	31,085,667	82,855,667	51,255,000	93,213,180	144,468,180	103,025,000	124,298,847	227,323,847
2016	40,525,000	17,991,811	58,516,811	54,820,000	90,820,336	145,640,336	95,345,000	108,812,147	204,157,147
2017	38,195,000	4,604,013	42,799,013	65,955,000	88,047,980	154,002,980	104,150,000	92,651,993	196,801,993
2018	26,610,000	15,127,731	41,737,731	70,320,000	84,816,590	155,136,590	96,930,000	99,944,321	196,874,321
2019	27,445,000	13,742,050	41,187,050	72,175,000	81,461,376	153,636,376	99,620,000	95,203,426	194,823,426
2020	28,345,000	12,277,563	40,622,563	75,435,000	78,458,585	153,893,585	103,780,000	90,736,148	194,516,148
2021	29,285,000	10,764,775	40,049,775	78,475,000	75,294,340	153,769,340	107,760,000	86,059,115	193,819,115
2022	19,445,000	9,485,613	28,930,613	84,015,000	71,462,887	155,477,887	103,460,000	80,948,500	184,408,500
2023	20,240,000	8,449,022	28,689,022	63,105,000	67,958,194	131,063,194	83,345,000	76,407,216	159,752,216
2024	20,700,000	7,384,903	28,084,903	65,635,000	64,849,225	130,484,225	86,335,000	72,234,128	158,569,128
2025	21,165,000	6,297,059	27,462,059	68,250,000	61,626,856	129,876,856	89,415,000	67,923,915	157,338,915
2026	12,070,000	5,430,337	17,500,337	69,210,000	58,259,719	127,469,719	81,280,000	63,690,056	144,970,056
2027	12,090,000	4,796,137	16,886,137	67,800,000	54,841,162	122,641,162	79,890,000	59,637,299	139,527,299
2028	12,115,000	4,160,756	16,275,756	66,490,000	51,494,525	117,984,525	78,605,000	55,655,281	134,260,281
2029	12,135,000	3,524,194	15,659,194	70,360,000	48,102,006	118,462,006	82,495,000	51,626,200	134,121,200
2030	12,160,000	2,886,450	15,046,450	74,385,000	44,570,981	118,955,981	86,545,000	47,457,431	134,002,431
2031	12,185,000	2,247,394	14,432,394	86,570,000	40,662,319	127,232,319	98,755,000	42,909,713	141,664,713
2032	12,210,000	1,607,025	13,817,025	91,190,000	36,313,844	127,503,844	103,400,000	37,920,869	141,320,869
2033	12,240,000	965,212	13,205,212	95,150,000	31,750,156	126,900,156	107,390,000	32,715,368	140,105,368
2034	12,265,000	321,956	12,586,956	100,825,000	26,927,394	127,752,394	113,090,000	27,249,350	140,339,350
2035	-	-	-	104,285,000	22,068,555	126,353,555	104,285,000	22,068,555	126,353,555
2036	-	-	-	109,240,000	17,226,957	126,466,957	109,240,000	17,226,957	126,466,957
2037	-	-	-	42,830,000	13,711,287	56,541,287	42,830,000	13,711,287	56,541,287
2038	-	-	-	31,905,000	11,874,113	43,779,113	31,905,000	11,874,113	43,779,113
2039	-	-	-	33,545,000	10,237,863	43,782,863	33,545,000	10,237,863	43,782,863
2040	-	-	-	20,145,000	8,895,612	29,040,612	20,145,000	8,895,612	29,040,612
2041	-	-	-	20,810,000	7,855,100	28,665,100	20,810,000	7,855,100	28,665,100
2042	-	-	-	14,030,000	6,949,925	20,979,925	14,030,000	6,949,925	20,979,925
2043	-	-	-	17,885,000	6,116,031	24,001,031	17,885,000	6,116,031	24,001,031
2044	-	-	-	18,680,000	5,163,950	23,843,950	18,680,000	5,163,950	23,843,950
2045	-	-	-	19,520,000	4,168,950	23,688,950	19,520,000	4,168,950	23,688,950
2046	-	-	-	20,505,000	3,126,169	23,631,169	20,505,000	3,126,169	23,631,169
2047	-	-	-	21,340,000	2,035,613	23,375,613	21,340,000	2,035,613	23,375,613
2048	-	-	-	22,325,000	897,156	23,222,156	22,325,000	897,156	23,222,156
2049	-	-	-	3,100,000	237,500	3,337,500	3,100,000	237,500	3,337,500
2050	-	-	-	3,200,000	80,000	3,280,000	3,200,000	80,000	3,280,000
Total	\$583,270,000	\$ 267,859,979	\$ 851,129,979	\$ 2,104,425,000	\$ 1,663,177,656	\$3,767,602,656	\$2,687,695,000	\$ 1,931,037,635	\$4,618,732,635

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

The Series 1994A, Series 1995A, Series 1997, Series 2001, Series 2002, Series 2007C, Series 2008A, and Series 2010B Tax Bonds are collectively referred to as the “Toll Road Tax Bonds”.

<u>Issue</u>	<u>Date Issued</u>	<u>Outstanding Principal Amount at February 28, 2011</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1994A	April 1994	\$ 33,160,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1995A	September 1995	250,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	26,455,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2001	May 2001	84,925,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2002	November 2002	15,085,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	321,745,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2008A	December 2008	76,240,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2010B	November 2010	25,410,000
TOTAL		\$ 583,270,000

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

The Series 2002, Series 2004A, Series 2004B, Series 2005A, Series 2006A, Series 2007A, Series 2007B, and Series 2008B, Series 2009A, Series 2009C, Series 2010A, Series 2010C, and Series 2010D are referred to as the “Senior Lien Revenue Bonds”.

Issue	Outstanding Principal Amount at February 28, 2011
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2002	\$ 163,480,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004A	168,715,000
Series 2004B	177,795,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2006A	135,530,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2007A	269,075,000
Series 2007B	145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2008B	324,475,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2009A	215,455,000
Series 2009C	250,000,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2010A	199,915,000
Series 2010C	18,995,000
Series 2010D	35,420,000
TOTAL	\$ 2,104,425,000

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2011-2012**

**Schedule 9
(Unaudited)**

On March 8, 2011 the Commissioners Court adopted the budget for the County for the Fiscal Year 2011-2012. The Fiscal Year 2012 Budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2011-2012 Budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2011	\$ 38,841,734
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	879,935,994
Charges for Services	199,543,959
Fines and Forfeitures	18,188,918
Intergovernmental Revenues	36,802,769
Interest	602,429
Other	56,572,907
Total Cash and Estimated Revenues	<u>\$ 1,230,488,710</u>
Appropriations:	
Current Operating Expenses	\$ 1,190,690,898
Capital Outlay:	
Roads	33,378,105
Parks	6,387,737
Office/Courts	31,970
Total Appropriations	<u>\$ 1,230,488,710</u>

TOLL ROAD AUTHORITY 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, 2011 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	\$ 197,321,562
Permanent Improvements	27,184,060
Flood Control	181,783,745
Reliant Park	<u>15,222,591</u>
 Total	 <u><u>\$ 421,511,958</u></u>

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

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value		M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2002	\$165,804,662	\$ 30,668,510	\$ 28,809,564	\$ 167,663,608		0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.34221	0.06018	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756		0.33918	0.05321	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265		0.33815	0.05108	0.38923
2010	316,949,419	54,044,038	85,902,801	285,090,656		0.33401	0.05823	0.39224
2011	307,139,208	51,636,041	85,743,093	273,032,156		0.33401	0.05404	0.38805

(a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of \$160,000 (\$156,240 prior to 2008).

(b) HCAD tax supplement as of February 1 of the tax year.

(c) HCAD tax supplement as of January 29 of the tax year.

Source: Harris County Appraisal District.

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

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

LAST TEN FISCAL YEARS

Schedule 12

(Unaudited)

(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 643,711	\$ 643,476	\$ 617,800	96.0%	\$ 22,449	\$ 640,249	99.5%
2003	682,975	682,732	657,498	96.3	21,463	678,961	99.4
2004	704,093	705,065	693,384	98.5	7,860	701,244	99.5
2005	793,759	762,284	740,302	93.3	17,594	757,896	99.4
2006	796,885	820,345	719,922	90.3	95,992	815,914	99.5
2007	887,598	903,994	793,835	89.4	105,130	898,965	99.4
2008	929,929	991,262	910,828	97.9	74,136	984,964	99.4
2009	1,089,141	1,085,945	981,807	90.1	94,713	1,076,520	99.1
2010	1,114,429	1,105,875	1,036,477	93.0	53,313	1,089,790	98.5
2011	1,058,623	1,058,623	987,684	93.3	-	987,684	93.3

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

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

(amounts in thousands)

**Schedule 13
(Unaudited)**

Taxpayers	2011			2002		
	2010 Taxable Valuations (a)	Rank	Percentage of Total 2010 Taxable Valuation (b)	2001 Taxable Valuations (a)	Rank	Percentage of Total 2001 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 2,699,284	1	0.99%	\$ 2,992,442	1	1.78%
Centerpoint Energy, Inc.	2,397,515	2	0.88	-		0.00
Shell Oil Company	1,862,692	3	0.68	1,375,099	3	0.82
Chevron Chemical Company	1,294,400	4	0.47	-		0.00
National Oilwell Inc	1,225,750	5	0.45	-		0.00
Hines Interests Ltd Partnership	1,065,135	6	0.39	988,015	6	0.59
Crescent Real Estate	1,028,245	7	0.38	498,717	10	0.30
Houston Refining	953,784	8	0.35	-		0.00
Hewlett Packard Company	915,543	9	0.34	-		0.00
Equistar Chemicals LP	888,184	10	0.33	1,324,083	4	0.79
AT&T Mobility LLC	871,762	11	0.32	-		0.00
Walmart	731,711	12	0.27	-		0.00
Lyondell Chemical	634,045	13	0.23	836,736	7	0.50
Cullen Allen Holdings LP	632,089	14	0.23	-		0.00
Amoco Chemical Company	550,690	15	0.20	-		0.00
Houston Lighting and Power Company	-		0.00	2,059,774	2	1.23
Southwestern Bell Telephone	-		0.00	1,310,878	5	0.78
Compaq Computer Corporation	-		0.00	608,117	8	0.36
Oxy Vinlys LP	-		0.00	538,049	9	0.32
Celanese Ltd	-		0.00	456,687	11	0.27
Crescent Real Estate Equities	-		0.00	439,936	12	0.26
Lyondell-Citgo Refining Company	-		0.00	438,054	13	0.26
Anhueser Busch Incorporated	-		0.00	410,641	14	0.24
Trizechahn Allen Center LP	-		0.00	408,966	15	0.24
Total	\$ 17,750,829		6.51%	\$ 14,686,194		8.74%

Source: Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the County's total taxable value as of February 28, 2011.
- (c) Based on the County's total taxable value as of February 28, 2002.

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

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	\$ 1,070,696,629
Unlimited Tax Debt	683,820,000
Flood Control	587,660,000
Toll Road Tax Bonds	583,270,000
Total	\$ 2,925,446,629
Less: Toll Road Tax Bonds	(583,270,000)
Total (Approximately 0.65% of 2010 Assessed Value)	\$ 2,342,176,629

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

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

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 2001-02 through 2010-11.

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
2002	\$ 1,640,580	\$ 167,663,608	0.98%	3,460,589	\$ 474
2003	1,928,192	176,215,696	1.09	3,557,055	542
2004	1,968,193	185,156,210	1.06	3,596,086	547
2005	2,258,539	194,263,945	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683
2007	2,856,915	225,237,250	1.27	3,886,207	735
2008	2,768,709	254,222,756	1.09	3,935,855	703
2009	2,981,996	282,177,265	1.06	3,984,349	748
2010	2,854,982	285,090,656	1.00	4,070,989	701
2011	2,925,447	273,032,156	1.07	4,092,459	715

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

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

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 33,810	\$ 48,170	\$ 81,980	\$ 19,270	\$ 32,339	\$ 51,609	\$ 45,380	\$ 39,793	\$ 85,173	\$ 10,109	\$ 35,814	\$ 45,923	\$ 108,569	\$ 156,116	\$ 264,685
2013	38,975	45,180	84,155	27,215	31,375	58,590	47,000	37,907	84,907	11,455	34,030	45,485	124,645	148,492	273,137
2014	40,245	47,275	87,520	17,703	32,066	49,769	57,695	27,011	84,706	11,805	33,492	45,297	127,448	139,844	267,292
2015	54,078	46,936	101,014	19,313	29,354	48,667	51,770	31,086	82,856	10,760	32,932	43,692	135,921	140,308	276,229
2016	56,102	45,334	101,436	19,163	28,690	47,853	40,525	17,992	58,517	9,785	32,420	42,205	125,575	124,436	250,011
2017	65,017	43,699	108,716	18,719	28,021	46,740	38,195	4,604	42,799	9,045	31,961	41,006	130,976	108,285	239,261
2018	62,691	41,483	104,174	23,452	27,358	50,810	26,610	15,128	41,738	9,450	31,530	40,980	122,203	115,499	237,702
2019	66,241	39,214	105,455	37,900	26,488	64,388	27,445	13,742	41,187	24,245	31,058	55,303	155,831	110,502	266,333
2020	60,441	36,692	97,133	36,370	24,521	60,891	28,345	12,277	40,622	40,100	29,791	69,891	165,256	103,281	268,537
2021	68,645	25,340	93,985	59,120	22,776	81,896	29,285	10,765	40,050	40,655	27,704	68,359	197,705	86,585	284,290
2022	89,920	22,238	112,158	56,885	20,860	77,745	19,445	9,486	28,931	45,170	25,664	70,834	211,420	78,248	289,668
2023	55,005	18,123	73,128	47,750	19,816	67,566	20,240	8,449	28,689	45,290	23,298	68,588	168,285	69,686	237,971
2024	46,901	27,197	74,098	26,940	16,762	43,702	20,700	7,385	28,085	46,605	21,033	67,638	141,146	72,377	213,523
2025	80,557	25,564	106,121	43,755	13,612	57,367	21,165	6,297	27,462	17,055	18,703	35,758	162,532	64,176	226,708
2026	39,039	21,991	61,030	38,140	10,888	49,028	12,070	5,430	17,500	33,255	17,838	51,093	122,504	56,147	178,651
2027	50,065	8,087	58,152	38,140	8,981	47,121	12,090	4,796	16,886	34,255	16,175	50,430	134,550	38,039	172,589
2028	50,740	5,878	56,618	38,140	7,074	45,214	12,115	4,161	16,276	35,280	14,462	49,742	136,275	31,575	167,850
2029	30,550	17,975	48,525	38,135	5,292	43,427	12,135	3,524	15,659	35,735	12,730	48,465	116,555	39,521	156,076
2030	19,325	2,405	21,730	27,710	3,511	31,221	12,160	2,886	15,046	36,205	10,975	47,180	95,400	19,777	115,177
2031	20,025	1,748	21,773	25,000	2,250	27,250	12,185	2,247	14,432	36,705	9,197	45,902	93,915	15,442	109,357
2032	20,775	1,067	21,842	25,000	1,125	26,125	12,210	1,607	13,817	37,225	7,362	44,587	95,210	11,161	106,371
2033	21,550	359	21,909	-	-	-	12,240	965	13,205	11,520	5,501	17,021	45,310	6,825	52,135
2034	-	-	-	-	-	-	12,265	322	12,587	12,095	4,925	17,020	24,360	5,247	29,607
2035	-	-	-	-	-	-	-	-	-	12,700	4,320	17,020	12,700	4,320	17,020
2036	-	-	-	-	-	-	-	-	-	13,335	3,685	17,020	13,335	3,685	17,020
2037	-	-	-	-	-	-	-	-	-	14,005	3,018	17,023	14,005	3,018	17,023
2038	-	-	-	-	-	-	-	-	-	14,705	2,318	17,023	14,705	2,318	17,023
2039	-	-	-	-	-	-	-	-	-	15,440	1,582	17,022	15,440	1,582	17,022
2040	-	-	-	-	-	-	-	-	-	16,210	810	17,020	16,210	810	17,020
Total	\$ 1,070,697	\$ 571,955	\$ 1,642,652	\$ 683,820	\$ 393,159	\$ 1,076,979	\$ 583,270	\$ 267,860	\$ 851,130	\$ 690,199	\$ 524,328	\$ 1,214,527	\$ 3,027,986	\$ 1,757,302	\$ 4,785,288

(a) Includes Flood Control District debt paid for by the District's ad valorem tax revenues and debt paid for by the County's ad valorem tax revenues as a result of refunded commercial paper.

**TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS
Schedule 17
(Unaudited)
(Amounts in Thousands)**

As of February 28, 2011, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1999, November, 2001, and November, 2007 remain unissued.

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

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	80,730	
Forensic Lab	80,000	
Family Law Center	<u>70,000</u>	
Total Limited Tax Bonds		\$ 263,730
Unlimited Tax:		
Road Bonds	<u>169,993</u>	
Total Unlimited Tax Bonds		169,993
Combination Unlimited Tax and Revenue:		
Toll Roads	<u>15,148</u>	
Total Unlimited Tax and Revenue Bonds		<u>15,148</u>
Total Harris County Ad Valorem Tax Bonds		<u>448,871</u>
Total Authorized but Unissued Bonds		<u><u>\$ 448,871</u></u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Harris County General Fund:										
Reserved	\$ 69,003	\$ 105,162	\$ 100,143	\$ 112,291	\$ 146,215	\$ 175,301	\$ 175,956	\$ 202,321	\$ 283,664	\$ 341,139
Unreserved	246,811	214,160	250,939	203,684	175,581	128,418	192,616	166,726	59,063	(22,290)
Total general fund	<u>\$ 315,814</u>	<u>\$ 319,322</u>	<u>\$ 351,082</u>	<u>\$ 315,975</u>	<u>\$ 321,796</u>	<u>\$ 303,719</u>	<u>\$ 368,572</u>	<u>\$ 369,047</u>	<u>\$ 342,727</u>	<u>\$ 318,849</u>

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

Full-time Equivalent Employees as of February 28/29

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration of Justice	8,177	8,115	8,450	8,554	8,380 (a)	8,168	8,740	9,425	9,308	8,779
Parks	*	*	*	*	715	706	732	787	797	670
County Administration	2,817	2,627	2,720	2,787	2,726	2,871	3,024	3,339	3,161	3,032
Health and Human Services	*	*	*	*	1,613	1,604	1,706	1,796	1,718	1,467
Flood Control	277	289	331	342	312	333	325	354	374	335
Tax Administration	468	450	465	442	428	426	435	428	415	378
Roads and Bridges	736	752	817	837	782	779	807	856	914	597
Other *	1,742	2,050	2,287	2,441	*	*	*	*	*	*

* Prior to 2006, the smaller expenditure functions were grouped as other on this schedule.

(a) Beginning in FY 2006, the Administration of Justice function no longer included Community Supervision employees, who are currently considered employees of the State of Texas.

Note: (1) As of February 28, 2011, it is estimated that approximately 2,734 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

(2) This schedule represents the number of County employees at the end of each fiscal year.

**TOLL ROAD AUTHORITY 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 2007 through 2011 are summarized as follows:

	FY2011	FY2010	FY2009	FY2008	FY2007
Employer					
Contributions	\$89,543,487	\$84,946,672	\$79,047,481	\$75,944,968	\$65,922,424