



# HARRIS COUNTY TOLL ROAD AUTHORITY ENTERPRISE FUND

A Department of Harris County, Texas

## BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2015

Prepared By:  
Barbara J. Schott, CPA  
County Auditor

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

*Financial Statements As of February 28, 2015  
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, 2015**

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**BASIC FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED FEBRUARY 28, 2015**

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**HARRIS COUNTY AUDITOR**

August 12, 2015

Honorable District Judges of Harris County, Honorable Members of the Harris County Commissioners Court, and Citizens of Harris County, Texas

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, 2015. 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, 2015 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified 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 February 2011, the 13-mile Sam Houston Tollway Northeast section opened with all-electronic tolling. Today, the Authority consists of approximately 120 miles of roadway in Harris County.

#### ***Authority Structure and Services***

The Authority relies on charges from users of the toll road system to fund operations, debt service, and future projects. 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 Harris County 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. The Authority's budget is at the fund 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.

### **INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION**

#### ***Local Economy***

The Houston – Woodlands – Sugar Land Metropolitan Statistical Area (“Houston MSA”), the fifth largest metropolitan area in the United States, had nearly 2.9 million payroll jobs in September of 2014, with more than the job counts of 36 U.S. States.

The Houston Association of Realtors reported that the inventory of homes in May 2015 was 3.1 months' supply compared with 2.8 months in May 2014. During this same period, the average price of a single-family home grew to \$292,040, a 4.5 percent increase.

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-long complex of diversified public and private facilities along the Houston Ship Channel. In 2011, the Port was ranked first in the United States in the volume of foreign tonnage and second in the United States 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. The Houston Airport System experienced its highest-ever passenger volume in 2014 with approximately 53.2 million passengers, with both Bush International and Hobby Airports recording record high passenger volume.

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-six companies on the 2015 *Fortune 500* list are

headquartered in the Houston – Woodlands – Sugar Land Metropolitan Statistical Area. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 68 and Chicago with 32.

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 three medical schools are the University of Texas Medical School, Baylor College of Medicine, and the Houston Campus of the Texas A&M Health Science Center College of Medicine.

### ***Financial Policies and Long-Term Financial Planning***

Some of the County's financial policies and strategies are:

- The County will continue to focus on building reserves to maintain financial stability, maintain current high bond ratings and continue to reduce the need for short-term borrowing under tax anticipation notes;
- Budget Management will continue to work with the Sheriff and Constables offices on a plan to provide additional step increases to longer term enforcement officers; and
- Budget Management will develop a long-term strategy which emphasizes total cost of ownership and paying for assets over their expected useful lives.

Authority funds available for investment under the County's investment program as of February 28, 2015 totaled \$1,179 million with investment earnings of \$20.5 million for the fiscal year. The average yield and maturity of such investments were 1.1% and 9.7 years.

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 2015 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 8 and 9 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 widening portions of the Sam Houston Tollway. Harris County is contributing \$200 million towards the Texas Department of Transportation's reconstruction of U.S. 290.

## **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](http://www.co.harris.tx.us).

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

# **F I N A N C I A L S E C T I O N**



## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statement of net position of the Toll Road Authority (the "Authority" or "Toll Road") Enterprise Fund of Harris County, Texas (the "County"), as of February 28, 2015, and the related statements of revenues, expenses, and change in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Toll Road's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of Toll Road as of February 28, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of Matter

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 the United States of America.

#### Other Matters

##### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7-14, and the Other Post Employment Benefits – Schedule of Funding Progress, and the Texas County and District Retirement System – Schedule of Funding Progress on pages 43-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Toll Road's basic financial statements. The Introductory Section and Other Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory Section and Other Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Introductory and Other Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Deloitte & Touche LLP*

August 12, 2015

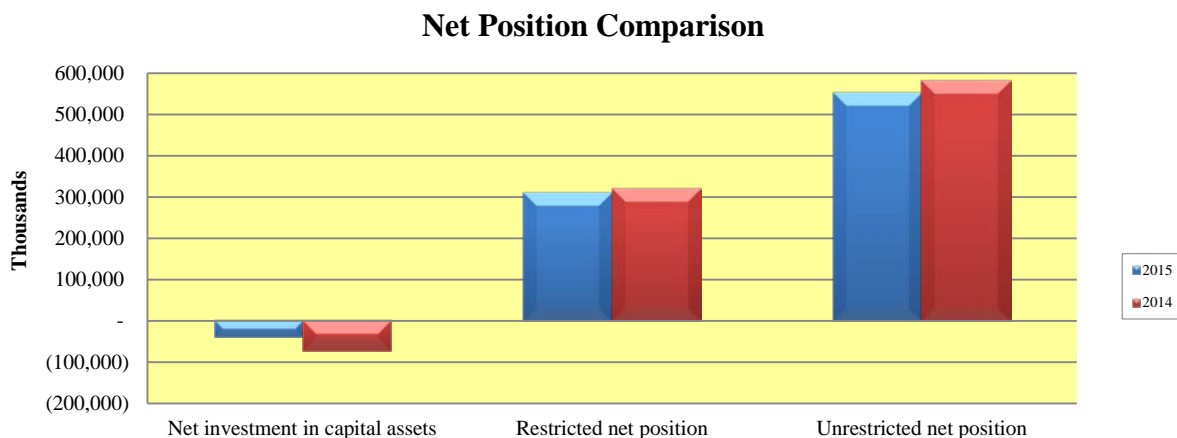
***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(Unaudited)***

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, 2015.

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**

- Total net position is comprised of the following:
  - (1) Net investment in capital assets, a deficit of \$39,705,803, 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 position increased \$33,982,498 from the previous year.
  - (2) Net position of \$311,549,056 is restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net position decreased by \$9,219,029 from the prior year due to a decrease in the debt reserve.
  - (3) Unrestricted net position of \$553,931,241 represents the portion available to meet ongoing obligations of the Authority. Unrestricted net position decreased \$27,773,339 from the previous year.



***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(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 Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Since the Authority is an enterprise fund, its financial statements are presented with a flow of economic resources measurement focus and use the accrual basis of accounting. Funds are a self-balancing set of accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions, or limitations. The Authority is used to account for the acquisition, operation and maintenance of toll roads within Harris County.

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

**FINANCIAL ANALYSIS**

The total net position of the Authority exceeded liabilities and deferred inflows of resources at February 28, 2015 by \$825,774,494 and \$828,784,364 for fiscal year ended 2014. Expenses exceeded revenues during the current year, decreasing net position by \$3,009,870.

**Harris County Toll Road Authority Enterprise Fund  
Condensed Statement of Net Position  
February 28, 2015 and February 28, 2014  
(Amounts in thousands)**

	<b>2015</b>	<b>2014</b>
Current assets	\$ 1,177,171	\$ 1,218,600
Capital assets, net	2,167,888	2,124,910
Other non-current assets	37,931	39,772
Total assets	<u>3,382,990</u>	<u>3,383,282</u>
Deferred outflows of resources	<u>71,439</u>	<u>66,732</u>
Current liabilities	314,575	218,639
Non-current liabilities	2,244,025	2,346,052
Total liabilities	<u>2,558,600</u>	<u>2,564,691</u>
Deferred inflows of resources	<u>70,055</u>	<u>56,539</u>
Net position:		
Net investment in capital assets	(39,706)	(73,688)
Restricted	311,549	320,768
Unrestricted	553,931	581,704
Total net position	<u>\$ 825,774</u>	<u>\$ 828,784</u>

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(Unaudited)***

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

Another portion of the Authority's current fiscal year net position 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 \$116,483,842, a decrease in unspent proceeds of \$125,479,807, while capital assets increased by \$42,978,463, causing an overall increase in net investment in its capital assets of \$33,982,498. Although the Authority's net investment in its capital assets is reported, 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 position represents restricted net position, which are subject to external restrictions on how they may be used. The Authority's restricted net position is for capital projects, debt service, and operating reserve per debt covenant.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(Unaudited)***

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

<b>Harris County Toll Road Authority Enterprise Fund Statement of Activities (In Thousands) For the Years Ended February 28, 2015 and February 28, 2014</b>		
	<b>2015</b>	<b>2014</b>
Revenues:		
Operating revenues:		
Toll revenue	\$ 688,921	\$ 609,965
Intergovernmental revenue	-	216
Nonoperating Revenues:		
Investment income	20,471	5,052
Lease revenue	22	27
Miscellaneous revenue	1,922	1,061
Total revenues	<u>711,336</u>	<u>616,321</u>
Expenses:		
Operating Expenses:		
Salaries	52,791	51,182
Materials and supplies	12,469	13,289
Services and fees	95,914	90,903
Utilities	3,116	3,400
Transportation and travel	3,008	3,132
Depreciation and amortization	94,431	90,150
Nonoperating Expenses:		
Interest expense	91,522	92,818
Amortization expense	14,966	40,488
Loss on disposal of capital assets	116	643
Other	224,245	-
Total expenses	<u>592,578</u>	<u>386,005</u>
Income before transfers	118,758	230,316
Transfers in	157	-
Transfers out	(121,925)	(121,048)
Change in net position	(3,010)	109,268
Net position - beginning	828,784	719,516
Net position - ending	<u>\$ 825,774</u>	<u>\$ 828,784</u>

***Revenues***

Total revenues for fiscal year 2015 were \$711,336,538, an increase of \$95,015,409 in revenues from fiscal year 2014 of \$616,321,129.

The largest revenue source is toll revenue of \$688,920,884 or 97% of total revenues. This revenue category increased \$78,955,207 from fiscal year 2014. This is primarily due to increased usage and rates at the toll plazas. The biggest increases were noted at the Sam Houston South/West (\$9.5M) Sam Houston North (\$6.9M), Sam Houston Central (\$6.9M), Sam Houston South (\$6.4M), Sam Houston South/East (\$4.9M), Hardy North (\$4.4M), Hardy South (\$4.0M), and Sam Houston North/East (\$3.7M).

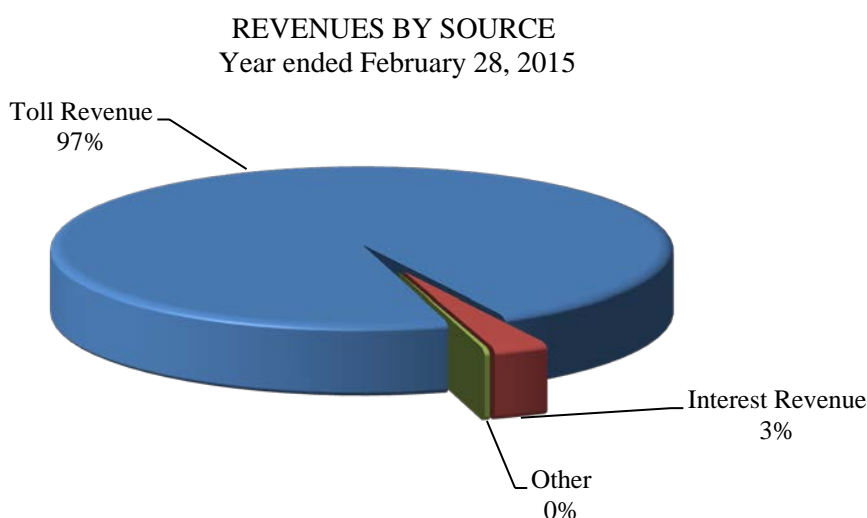


***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(Unaudited)***

Also, the Katy Managed Lanes had an increase of \$3.5M, and there was an overall increase of \$19M from EZ tag fees, unpaid tolls, replacement fees, etc., and interlocal agreement programs.

Other revenues totaled \$1,944,042 or less than 1% of total revenues. Other revenue consists of lease revenue of \$21,814 and miscellaneous revenue of \$1,922,228.

Interest revenue for fiscal year 2015 totaled \$20,471,612 and comprises 3% of total revenues. This revenue source increased \$15,418,896 from fiscal year 2014 of \$5,051,716, partially due to a combination of an increase in the fair market value of investments from the prior year.



***Expenses***

For fiscal year ended February 28, 2015, expenses totaled \$592,578,019 and increased \$206,573,491 from fiscal year 2014 of \$386,004,528.

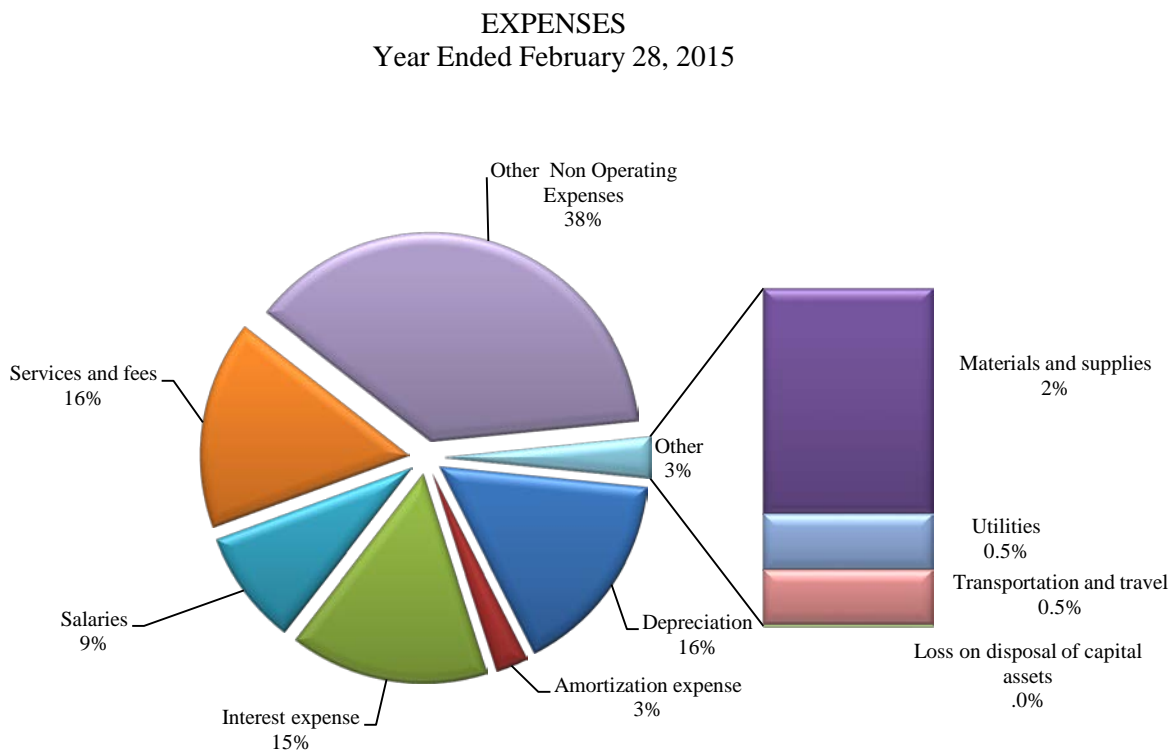
Other non-operating expenses of \$224,245,033, is the largest expense category and is 38% of total expenses. This consists of \$200 million that the County agreed to pay the State for the County's commitment towards the US 290 project. It also includes the County's agreement to forego reimbursement of related assets.

Interest expense of \$91,521,555 is one of the Authority's largest expense categories and is 15% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries expense of \$52,791,017 or 9% of total expenses increased by \$1,609,312 from fiscal year 2014, due to increase in full-time employees in addition to merit and market salary increases. Services and fees of \$95,914,299 or 16% of total expenses increased by \$5,011,617 primarily due to increases in temporary personnel services, road and bridge maintenance and repair, and patrol contracts.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(Unaudited)***

The remaining 22% of expenses consisted of depreciation (16%), amortization expense (3%), and other expenses (3%) and consists of outlays relative to materials and supplies, utilities, transportation and travel, and loss on disposal of capital assets. All of these expense categories are necessary for the operation of the toll road.



***Transfers***

Transfers consisted of transfers in of \$157,037 and transfers out of \$121,925,426. The largest component of transfers out was a \$120 million allocation to fund non-toll County road or enhancement projects.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

The Authority's capital assets net of depreciation as of February 28, 2015 and February 28, 2014, amounted to \$2,167,888,312 and \$2,124,909,849, 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 \$42,978,463 from fiscal year 2014.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(Unaudited)***

	<b>Balance February 28, 2015</b>	<b>Balance February 28, 2014</b>
Land	\$ 37,688,268	\$ 35,001,137
Right-of-way	277,303,656	277,353,656
Construction in progress	384,905,344	351,140,970
License agreement	237,500,000	245,281,444
Land improvements	5,160,138	5,160,138
Infrastructure	2,348,904,103	2,264,596,646
Other tangible assets	30,123,590	22,344,646
Buildings	15,938,353	15,938,353
Equipment	92,867,075	76,918,565
	<u>3,430,390,527</u>	<u>3,293,735,555</u>
Less: Accumulated depreciation/amortization	<u>(1,262,502,215)</u>	<u>(1,168,825,706)</u>
Totals	<u><u>\$ 2,167,888,312</u></u>	<u><u>\$ 2,124,909,849</u></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 and deferred inflows of resources was \$2,416,209,375. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	<b>Outstanding at February 28, 2015</b>	<b>Outstanding at February 28, 2014</b>
Bonds payable	\$ 2,318,882,305	\$ 2,443,079,839
Derivative instruments - interest rate swaps	70,054,695	56,539,088
Compensatory time payable	1,024,622	1,009,597
OPEB obligation	25,658,928	22,391,540
Pollution remediation obligation	588,825	834,481
Totals	<u><u>\$ 2,416,209,375</u></u>	<u><u>\$ 2,523,854,545</u></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 9 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 highways in the Houston region that offer both free highways and tolled competition to the Toll Road. In particular, the completion of the Segments D and E of the Grand Parkway provide alternatives to portions of the County's toll road system.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2015  
(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 Toll Road. Metro’s High Occupancy Toll (“HOT”) lanes and expanded rail service provide additional alternatives to the Toll Road.

**Agreement between Harris County and the Texas Department of Transportation:**

The County agreed, subject to certain legal requirements to transfer ownership and/or all responsibility for operation, maintenance, and enforcement of the Katy Managed Lanes to the State of Texas by December 31, 2015. The County is to be reimbursed for its financial contribution to the Katy Managed Lanes project by retaining one-third of the tolls paid by EZ Tag customers for use of 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, or visit the County’s website at [www.co.harris.tx.us](http://www.co.harris.tx.us).

## **BASIC FINANCIAL STATEMENTS**

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**FEBRUARY 28, 2015**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 224,092,528
Investments	656,136,283
Receivables, net	2,937,385
Accrued interest receivable	3,012,503
Other receivables, net	10,471,804
Due from primary government	149,364
Prepays and other assets	2,547,539
Inventories	3,421,366
Restricted cash and cash equivalents	31,129,149
Restricted investments	243,272,789
Total current assets	<u>1,177,170,710</u>

Non-current assets:

Restricted investments, held as collateral by others	37,855,000
Notes receivable	75,812

Capital Assets:

Land and construction in progress	699,897,268
License agreement, net of amortization	215,293,750
Other capital assets, net of depreciation	1,252,697,294
Total non-current assets	<u>2,205,819,124</u>
Total assets	<u>3,382,989,834</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refundings	19,246,598
Unamortized costs on swap liability	52,192,444
Total deferred outflows of resources	<u>71,439,042</u>

**LIABILITIES**

Current liabilities:

Vouchers payable	136,370,355
Accrued payroll and compensated absences	3,431,464
Retainage payable	6,528,713
Customer deposits	1,219,801
Due to primary government	282,620
Due to other units	1,765,597
Unearned revenue	63,512,461
Current portion of long-term liabilities	101,464,059
Total current liabilities	<u>314,575,070</u>

Non-current liabilities:

Bonds payable	2,217,418,246
Pollution remediation payable	588,825
Compensatory time payable	358,618
OPEB obligation	25,658,928
Total non-current liabilities	<u>2,244,024,617</u>
Total liabilities	<u>2,558,599,687</u>

**DEFERRED INFLOWS OF RESOURCES**

Accumulated decrease in fair value of hedging derivatives	70,054,695
Total deferred inflows of resources	<u>70,054,695</u>

**NET POSITION**

Net investment in capital assets	(39,705,803)
Restricted for capital projects	7,460,184
Restricted for debt service	271,477,481
Restricted for operating reserve per bond covenant	32,611,391
Unrestricted	553,931,241
Total net position	<u>\$ 825,774,494</u>

*See notes to the financial statements.*



**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

**OPERATING REVENUE**

Toll revenue	\$ 688,920,884
Total operating revenue	<u>688,920,884</u>

**OPERATING EXPENSES**

Salaries	52,791,017
Materials and supplies	12,468,384
Services and fees	95,914,299
Utilities	3,115,952
Transportation and travel	3,008,253
Depreciation and amortization	94,431,249
Total operating expenses	<u>261,729,154</u>

Operating income	<u>427,191,730</u>
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**NONOPERATING REVENUES**

Investment income	20,471,612
Lease income	21,814
Miscellaneous income	1,922,228
Total nonoperating revenues	<u>22,415,654</u>

**NONOPERATING EXPENSES**

Interest expense	91,521,555
Amortization expense	14,966,359
Loss on disposal of capital assets	115,918
Other	224,245,033
Total nonoperating expenses	<u>330,848,865</u>

Income before transfers	118,758,519
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Transfers in	157,037
Transfers out	<u>(121,925,426)</u>

Change in net position	(3,009,870)
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Net position, beginning of year	828,784,364
Net position, end of year	<u><u>\$ 825,774,494</u></u>

*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, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from tolls	\$ 698,133,115
Payments to employees	(49,223,028)
Payments to vendors	(114,088,529)
Receipts from miscellaneous reimbursements	1,922,228
Net cash provided by operating activities	<u>536,743,786</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Internal payments to other funds	(155,766)
Receipt of monies advanced to primary government	22,934,097
Payments to other governments	(100,000,000)
Transfers to other funds	(121,768,389)
Net cash used for noncapital financing activities	<u>(198,990,058)</u>

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

Receipts from lease of capital assets	21,814
Purchases of capital assets	(165,228,077)
Principal paid on capital debt	(116,565,000)
Interest paid on capital debt	(106,622,322)
Net cash used for capital and related financing activities	<u>(388,393,585)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(357,150,744)
Proceeds from sale and maturity of investments	418,596,572
Interest received	14,754,274
Net cash provided by investing activities	<u>76,200,102</u>
Net change in cash and cash equivalents	25,560,245
Cash and cash equivalents, beginning	229,661,432
Cash and cash equivalents, ending	<u>\$ 255,221,677</u>

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

Operating income	\$ 427,191,730
Adjustments to operations:	
Depreciation and amortization	94,431,249
Other nonoperating revenues (expenses)	1,922,228
Changes in assets and liabilities:	
Receivables, net	(5,134,641)
Notes and leases receivable	7,582
Prepays and other assets	(611,560)
Inventories	(2,584,095)
Vouchers payable and accrued liabilities	8,741,895
Retainage payable	(1,423,137)
Due to other units	169,526
Other liabilities	(25,500)
Pollution Payable	(245,656)
Unearned revenue	14,339,290
Compensatory time payable	(35,125)
Net cash provided by operating activities	<u>\$ 536,743,786</u>

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

Decrease in fair value of hedging derivatives	\$ (13,515,607)
Increase in the fair market value of investments	7,608,297
Purchase of capital assets on account	(3,147,851)

*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, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Harris County Toll Road Authority (the “Authority” or “Toll Road”) 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 67, *Financial Reporting for Pension Plans* (“GASB 67”), replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and Required Supplementary Information (“RSI”) for both defined benefit and defined contribution plans. The plan, Texas County and District Retirement System, implemented GASB 67.

GASB Statement 69, *Government Combinations and Disposals of Government Operations* (“GASB 69”), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Implementation of GASB 69 did not have an impact on the Authority’s financial disclosures.

GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”), provides guidance to improve accounting and reporting by state and local governments that extend and receive nonexchange financial guarantees. Implementation of GASB 70 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.

The basic financial statements of the Authority consist of Management’s Discussion and Analysis (“MD&A”), Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

**Enterprise Fund** – Revenues are recognized in the period earned. The Authority’s operating revenues are derived from charges to users of the Toll Roads in the County. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources to the extent they are needed.

Expenses are recognized in the period incurred. The Authority’s operating expenses consist primarily of direct charges attributable to the operations of the Authority, including depreciation. Interest expense and other similar charges not directly related to the Authority’s operations are reported as non-operating expenses.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

***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 Position***– 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, 2015, the Authority was in compliance with these covenants.

In the financial statements, restricted net position is 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, 2015 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. Infrastructure is 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. Amortization of the intangible license agreement is based upon the revenues received and will continue until the license is fully amortized.

Harris County (acting through the Harris County Toll Road Authority) entered into a tri-party agreement in March 2003 with Texas Department of Transportation (“TXDOT”), and Federal Highway Administration to participate in the reconstruction portion of the IH10 Katy Freeway. Under this agreement, the Authority funded \$237.5 million for the license to the real property for the right to operate the Toll Facility and paid an additional \$12.5 million for the design and construction, and other allowable expenses related to the Toll Facility.

In April 2012, Harris County approved a memorandum of understanding with TXDOT (the “MOU”) that contains a general outline for the development, funding, construction, operation and maintenance of toll projects for US 290, State Highway 288 and the tolled segments of the Grand Parkway. The County’s responsibilities were further clarified in subsequent agreements and actions with TXDOT, including an agreement with respect to the ownership and operation of the Katy Tollway (Managed Lanes). Below is a summary of the terms of the MOU and the subsequent agreements and actions.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

The MOU specified that Harris County would provide \$400 million toward TXDOT's reconstruction of US290 from IH 610 to SH 99 and that the County would waive its primacy development rights for and decline to develop a toll facility along the Hempstead corridor of US 290. The reconstruction would include building a two to three lane reversible managed lane facility to accommodate both high occupancy vehicle (HOV) and toll traffic, as well as adding one general purpose lane in each direction. The MOU further provided that the County would operate and maintain the managed lanes facility and TXDOT would maintain the remainder of the US 290 facility. Harris County would retain all toll revenues for use on projects at the County's discretion.

In August 2014, TXDOT and Harris County agreed to reallocate responsibilities and resources for the US 290 reconstruction program. The County's commitment towards the US 290 project was reduced from \$400 million to \$200 million, payable in equal bi-annual installments in 2014 and 2015. Similar to the funding the County committed toward the IH10 Katy reconstruction program in 2003, the installments are being funded with revenues of the County's toll system. The current agreement specifies that the County has no obligation or responsibility for development, construction, installation, or operation of a reversible managed lanes facility on the US 290 project. The County further waived its primacy rights for the development of toll facilities in the US 290 and Hempstead Highway corridors. As consideration for the reduction in the County's commitment towards the US 290 project, the County agreed, subject to certain legal requirements, to transfer ownership and/or all responsibility for operation, maintenance and enforcement of the Katy Managed Lanes to the State of Texas in 2014. The County is to be reimbursed for its financial contribution to the Katy Managed Lanes project by retaining one third of all tolls paid by EZ Tag customers for the use of the Katy Managed Lanes. The County's right to retain tolls shall terminate once the County has been fully reimbursed for its financial contribution to the Katy Managed Lanes. In December 2014, the County and TXDOT agreed to postpone the date of the transfer until December 31, 2015. Prior to the transfer being effective, TXDOT and the County will need to satisfy certain legal requirements, including the adoption by the County of a finding that the transfer is in the best interest of the project and will not be materially adverse to the rights of the Owners of the Series 2012B-1 Bonds, Parity Notes or other Parity Obligations.

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 \$2,268,570 during fiscal year 2015.

***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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

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 employer's liability. 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 coverage, 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 absences 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 720 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

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

***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 Outflows/Inflows of Resources*** – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows consist of deferred charge on refundings and the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods. A deferred charge on refunding results from the difference in



**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows consist 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 up to a maximum of \$250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the 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, 2015, the balance per various financial institutions was \$244,238,806. The Authority's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or an irrevocable standby 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.

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

2. Other obligations, the principal and interest of which are unconditionally guaranteed, insured or backed by the full faith and credit of the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the FDIC.
3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.
4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A, or its equivalent, by a nationally recognized investment rating firm.
5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County's authority to invest funds in certificates of deposit and share certificates as stated above, made in accordance with the following conditions is an authorized investment under Texas Gov't. Code Section 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.
6. Fully collateralized repurchase agreements (provided the County has on file) a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.
7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code, Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.
9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of County Commissioners to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.
10. A Securities and Exchange Commission (SEC) registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.

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, 2015.

	<b>Totals</b>
Cash and Cash Equivalents	\$ 224,092,528
Investments	656,136,283
Restricted Cash and Cash Equivalents	31,129,149
Restricted Investments	281,127,789
<b>Total Cash and Investments</b>	<b>\$ 1,192,485,749</b>

The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2015, summarized by security type. Also demonstrated are the percentages of the total portfolio, the weighted average modified duration in years, and the credit ratings for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FFCB	\$ 18,858,260	1.59%	\$ 19,000,000	0.0283	AA+/Aaa
FHLB	139,447,450	11.76%	140,000,000	0.3238	AA+/Aaa
FHLB Stepup Note	1,982,880	0.17%	2,000,000	0.0001	AA+/Aaa
FHLMC	94,640,500	7.98%	95,000,000	0.2292	AA+/Aaa
FNMA	241,859,006	20.39%	243,400,000	0.5617	AA+/Aaa

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<b>Security</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>	<b>Maturity Amount</b>	<b>Weighted Avg Modified Duration (Years)</b>	<b>Credit Rating S&amp;P/ Moody's</b>
FNMA Stepup Note	88,896,570	7.49%	89,000,000	0.0861	AA+/Aaa
<i>Total US Agency Notes</i>	<u>585,684,666</u>		<u>588,400,000</u>		
<i>Commercial Paper</i>					
UBSFIN-Disc	145,532,115	12.27%	145,780,000	0.0535	A-1/P-1
<i>Local Governments</i>					
AZ St School Facilities Board Rev Txbl	5,000,200	0.42%	5,000,000	0.0138	AAA/Aaa
Auburn Wash Util Sys Rev Bab	2,163,083	0.18%	1,865,000	0.0148	AA
Austin TX Rev 11A	2,101,680	0.18%	2,000,000	0.0212	AAA/Aaa
AZ St Sch Facs Brd	13,000,520	1.10%	13,000,000	0.0358	AAA/Aaa
AZ Transportation	2,799,776	0.24%	2,800,000	0.0077	AA+/Aa2
Bexar County TX GO	4,684,005	0.39%	4,500,000	0.0570	AA+/Aaa
Burien WA BAB Taxable GO	1,249,842	0.11%	1,160,000	0.0087	A1
Central OK Transport & Pkg Rev	350,473	0.03%	350,000	0.0004	AA/Aa2
Clayton Cty GA & Wtr Auth Rev Txbl	934,066	0.08%	945,000	0.0024	AA+/Aa2
College Station TX Independent School	1,400,819	0.12%	1,280,000	0.0108	AA-/Aa2
College Station TX Utility System	1,146,175	0.10%	1,115,000	0.0090	A+/Aa2
Colorado St Housing & Fin Auth Txbl	5,064,100	0.43%	5,000,000	0.0051	Aa2
Conroe TX Industrial Development Rev	5,850,454	0.49%	5,445,000	0.0474	AA
Cook County IL	3,890,201	0.34%	3,810,000	0.0055	AA/A1
CT St Muni Elec Energy Coop Pwr	2,144,690	0.18%	2,150,000	0.0033	Aa3
Dallas TX Ref GO Bond	2,219,880	0.19%	2,000,000	0.0133	AA+/Aa1
Denver CO BAB	3,888,832	0.33%	3,540,000	0.0336	AAA/Aaa
Ellis County TX GO	2,827,968	0.24%	2,640,000	0.0196	Aa2
Ewing Township NJ Sch	4,786,847	0.40%	4,760,000	0.0063	AA-
Frisco, TX GO	1,117,055	0.09%	1,035,000	0.0050	AA+/Aa1
Greensboro, NC Build America Bnds	2,246,040	0.19%	2,000,000	0.0179	AAA/Aaa
Harris County TX -Hospital Dist07A	7,932,711	0.67%	7,370,000	0.0490	AA-/A2
Hillsborough County FL Utility	15,588,678	1.31%	14,165,000	0.0987	AA+/Aa1
Houston, TX Independent School District	5,291,600	0.45%	5,000,000	0.0531	AAA/Aaa
Houston TX Utility Systems	2,371,908	0.20%	2,100,000	0.0248	AA
Idaho Bond Bank Authority Rev	4,896,564	0.41%	4,240,000	0.0328	Aa1
Katy, TX ISD BAB	2,238,120	0.19%	2,000,000	0.0143	AAA/Aaa
Louisiana St UTGO Txbl	2,026,120	0.17%	2,000,000	0.0069	AA/Aa2
Mansfield, TX	4,176,080	0.35%	4,000,000	0.0320	AAA/Aaa
Massachusetts St Water Pol Txbl	2,992,830	0.25%	3,000,000	0.0023	AAA/Aaa
Mercer Cnty NJ IMPT	2,048,875	0.17%	1,935,000	0.0029	AA+/Aa2
Met Washington DC Apartments Auth	1,021,010	0.09%	1,000,000	0.0005	AA-/A1
Montgomery County TX GO	3,934,770	0.33%	3,500,000	0.0366	AA+/Aa1
N Orange Cnty CA Cmnty Clg Dist	1,258,325	0.11%	1,250,000	0.0025	AA/Aa1
Nevada St Txbl Ref Cap	1,507,950	0.13%	1,500,000	0.0024	AA/Aa2
New Britain CT BAB TXBL GO Unltd	1,837,296	0.15%	1,800,000	0.0024	AA/A2
North TX Municipal Water District BAB	3,012,486	0.25%	2,700,000	0.0199	AAA/Aa2
North TX Tollway	3,845,870	0.32%	3,500,000	0.0369	AA/A2
Northwest TX	2,137,620	0.18%	2,000,000	0.0173	Aaa
NY St Mtge Agy Homeowner Rev Txb	1,000,660	0.08%	1,000,000	0.0009	Aa1
Ohio St Water/Sewer Dev Auth	2,065,955	0.17%	2,065,000	0.0027	AA+/Aa1

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<b>Security</b>	<b>Fair Value</b>	<b>Percentage of Portfolio</b>	<b>Maturity Amount</b>	<b>Weighted Avg Modified Duration (Years)</b>	<b>Credit Rating S&amp;P/ Moody's</b>
Oregon State Alt Energy Project	2,942,880	0.25%	2,780,000	0.0290	AA+/Aa1
Pearland, TX Ref-Perm Improvement	1,139,930	0.10%	1,075,000	0.0077	AA/Aa2
Port Auth NY NJ	15,084,085	1.27%	15,220,000	0.0346	AA-/Aa3
Red River TX Education Finance	2,627,596	0.22%	2,535,000	0.0273	Aa3
Regional Trans Dist Co SA	4,080,840	0.34%	4,000,000	0.0090	AAA/Aa2
Rhode Island St Housing & MTGE	469,427	0.04%	470,000	0.0006	Aa2
Round Rock, TX ISD BAB	1,125,710	0.09%	1,000,000	0.0067	Aaa
Salt Lake County Utah Sales Tax	1,780,710	0.15%	1,630,000	0.0158	AAA
San Antonio, TX Build America Bnds	1,906,933	0.16%	1,635,000	0.0197	AAA/Aaa
San Antonio TX Water Rev BAB	3,323,090	0.28%	3,000,000	0.0202	AA+/Aa1
San Marcos, TX ISD	1,572,555	0.13%	1,500,000	0.0103	AAA/Aaa
Snohomish County WA BAB	3,111,320	0.26%	2,760,000	0.0222	AA+/Aa3
Sugar Land, TX CTFS	5,807,376	0.49%	5,400,000	0.0586	AAA/Aaa
Texas City, TX ISD	1,368,923	0.12%	1,285,000	0.0120	AA
Texas State Tech University Rev Bnds	1,944,776	0.16%	1,850,000	0.0170	AA
Travis County, TX Certificates of Obligation	1,623,624	0.14%	1,505,000	0.0117	AAA/Aaa
Virginia ST HSG Development Auth	1,457,926	0.12%	1,375,000	0.0169	AA+/Aa1
Washington Cnty Ore Sch	995,030	0.08%	1,000,000	0.0019	AA+/Aa1
Washington St Cops Agy Prop	6,900,591	0.58%	7,015,000	0.0180	Aa2
Wayne Township in Met Sch District	1,350,891	0.11%	1,350,000	0.0027	AA+
West Univ Place, TX	994,420	0.08%	1,000,000	0.0024	AAA
Williamson County TX	2,765,577	0.23%	2,665,000	0.0158	AAA/Aa1
<i>Total Local Governments</i>	<u>204,426,344</u>		<u>194,570,000</u>		
<i>Money Market Funds</i>					
MMF-Fidelity Inst. Treasury	68,214,558	5.75%	68,214,558	N/A	AAAm/Aaa
MMF-Invesco	30,546,909	2.58%	30,546,909	N/A	AAAm/Aaa
Logic Investment Pool	46,028,410	3.88%	46,028,410	N/A	AAAm/Aaa
Lone Star Investment Pool	37,330,861	3.15%	37,330,861	N/A	AAAm/Aaa
Texas Class Investment Pool	68,453,065	5.78%	68,453,065	N/A	AAAm/Aaa
<i>Total Money Market Funds</i>	<u>250,573,803</u>		<u>250,573,803</u>		
Total Investments & Cash Equivalents	1,186,216,928	100.00%	\$ 1,179,323,803		
<i>Demand and Time Deposits</i>	<u>6,268,821</u>				
<b>Total Cash/Equivalents &amp; Investments</b>	<u><u>\$ 1,192,485,749</u></u>				

**RISK DISCLOSURES**

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

According to the County investment policy, no more than 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, flood control, proprietary and enterprise, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and bond reserves may be invested

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beyond three years. Additionally at least 15% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 28, 2015, 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 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2015, 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. The investment strategies and maturity criteria are outlined in the following table.

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Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Toll Road Project Funds	Matching/Barbell	6	\$ 473,500,000	4.53
Toll Road Debt Service	Matching/Barbell	6	145,780,000	0.44
Toll Road Renewal/Replacement	Matching/Barbell	6	156,095,000	2.45
Toll Road Bond Reserve	Matching	Maturity of the bonds	153,375,000	11.37
Money Market Mutual Funds	N/A	N/A	250,573,803	N/A
			<u>\$ 1,179,323,803</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, 2015 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$10,471,804 is reported net of allowance for doubtful accounts of \$176,979,514.

Proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Authority reported \$63,512,460 in unearned EZ tag revenues.

### 4. NOTES RECEIVABLE

Notes receivable as of February 28, 2015 are comprised of the following:

	Outstanding March 1, 2014	Issued	Receipts	Outstanding February 28, 2015
Sam Houston Race Park	\$ 83,394	\$ -	\$ (7,582)	\$ 75,812
Notes receivable	<u>\$ 83,394</u>	<u>\$ -</u>	<u>\$ (7,582)</u>	<u>\$ 75,812</u>

### 5. PREPAIDS AND OTHER ASSETS

Other assets as of February 28, 2015 are comprised of the following:

Prepaid surety expense	\$ 323,718
Prepaid office expenses	2,223,821
Total	<u>\$ 2,547,539</u>

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**6. CAPITAL ASSETS**

Capital asset activity for the year ended February 28, 2015 was as follows:

	Balance March 1, 2014	Additions	Deletions	Transfers	Balance February 28, 2015
Land	\$ 35,001,137	\$ 4,121,327	\$ (1,496,112)	\$ 61,916	\$ 37,688,268
Right-of-way	277,353,656	-	(50,000)	-	277,303,656
Construction in progress	351,140,970	152,916,774	(22,113,282)	(97,039,118)	384,905,344
Total capital assets not depreciated	663,495,763	157,038,101	(23,659,394)	(96,977,202)	699,897,268
License agreement	245,281,444	-	-	(7,781,444)	237,500,000
Land improvements	5,160,138	-	-	-	5,160,138
Infrastructure	2,264,596,646	-	-	84,307,457	2,348,904,103
Other tangible assets	22,344,646	-	(2,500)	7,781,444	30,123,590
Buildings	15,938,353	-	-	-	15,938,353
Equipment	76,918,565	4,732,991	(1,454,226)	12,669,745	92,867,075
	2,630,239,792	4,732,991	(1,456,726)	96,977,202	2,730,493,259
Less accumulated depreciation/amortization for:					
License agreement	(16,318,477)	(8,863,774)	-	2,976,001	(22,206,250)
Land improvements	(1,354,633)	(1,441,782)	-	-	(2,796,415)
Infrastructure	(1,095,756,437)	(76,244,235)	-	-	(1,172,000,672)
Other tangible assets	(24,498,324)	(284,144)	2,500	(2,976,001)	(27,755,969)
Buildings	(2,588,962)	(348,194)	-	-	(2,937,156)
Equipment	(28,308,873)	(7,249,120)	752,240	-	(34,805,753)
	(1,168,825,706)	(94,431,249)	754,740	-	(1,262,502,215)
Total capital assets being depreciated, net	1,461,414,086	(89,698,258)	(701,986)	96,977,202	1,467,991,044
Total capital assets, net	\$ 2,124,909,849	\$ 67,339,843	\$ (24,361,380)	\$ -	\$ 2,167,888,312

**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 2014-2015 were as follows:

	Outstanding March 1, 2014	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2015	Due Within One Year
Senior Lien Revenue Bonds	\$ 1,929,910,000	\$ -	\$ (53,795,000)	\$ 1,876,115,000	\$ 57,025,000
Tax Bonds	432,540,000	-	(62,770,000)	369,770,000	40,685,000
Total Bond Principal	2,362,450,000	-	(116,565,000)	2,245,885,000	97,710,000
Unamortized Premium, Revenue Bonds	60,760,010	-	(5,413,932)	55,346,078	-
Unamortized Premium, Tax Bonds	15,787,365	-	(1,890,197)	13,897,168	-
Accrued Interest Payable	4,082,464	94,940,532	(95,268,937)	3,754,059	3,754,059
Total Bonds Payable	2,443,079,839	94,940,532	(219,138,066)	2,318,882,305	101,464,059
Derivative Instruments - interest rate swaps	56,539,088	13,515,607	-	70,054,695	-
Compensatory Time Payable	1,009,597	630,879	(615,854)	1,024,622	666,004
OPEB Obligation	22,391,540	3,267,388	-	25,658,928	-
Pollution Remediation Obligation	834,481	-	(245,656)	588,825	-
Totals - Toll Road Fund Liabilities	\$ 2,523,854,545	\$ 112,354,406	\$ (219,999,576)	\$ 2,416,209,375	\$ 102,130,063



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**A. Outstanding Bonded Debt – February 28, 2015 – Pertinent Information by Issue**

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate Range %</u>	<u>Term Issue</u>	<u>Maturity Range</u>	<u>Outstanding Balance February 28, 2015</u>
<b>Senior Lien Revenue Bonds</b>					
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	252,375,000
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	314,055,000
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 2010C	18,995,000	0.88-2.79	2010	2011-2016	11,210,000
Refunding Series 2010D	35,420,000	3.00-5.00	2010	2011-2030	29,370,000
Refunding Series 2012A	60,415,000	Floating	2012	2015-2018	60,415,000
Refunding Series 2012B	139,500,000	Floating	2012	2012-2021	139,500,000
Refunding Series 2012C	252,845,000	2.00-5.00	2012	2013-2033	229,695,000
Refunding Series 2012D	98,010,000	.40-1.68	2012	2013-2018	92,940,000
Total Principal Senior Lien Revenue Bonds					1,876,115,000
Unamortized Premiums and Discounts					55,346,078
Total Senior Lien Revenue Bonds					<u>\$ 1,931,461,078</u>

**Unlimited Tax and Subordinate**

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate Range %</u>	<u>Term Issue</u>	<u>Maturity Range</u>	<u>Outstanding Balance February 28, 2015</u>
<b>Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)</b>					
Refunding Series 1997	\$ 150,395,000	5.00-5.125	1997	2014-2024	\$ 26,005,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	306,405,000
Refunding Series 2008A	76,240,000	3.25-5.00	2008	2011-2016	25,545,000
Refunding Series 2010B	25,410,000	0.77-2.09	2010	2011-2015	11,815,000
Total Tax Bonds					369,770,000
Unamortized Premiums and Discounts					13,897,168
Total Tax Bonds					<u>\$ 383,667,168</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 5.61 as of February 28, 2015.

**C. Debt Service Requirements**

Total interest expense was \$91,521,555 for the fiscal year. The following are the debt service requirements for bonds payable:

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<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$97,710,000	\$103,533,918	\$201,243,918
2017	93,585,000	100,581,288	194,166,288
2018	97,210,000	97,053,429	194,263,429
2019	99,180,000	92,972,289	192,152,289
2020	103,780,000	88,419,373	192,199,373
2021-2025	460,245,000	370,620,836	830,865,836
2026-2030	388,455,000	269,170,068	657,625,068
2031-2035	506,660,000	159,713,353	666,373,353
2036-2040	237,665,000	62,077,419	299,742,419
2041-2045	90,925,000	30,253,956	121,178,956
2046-2050	70,470,000	6,376,438	76,846,438
	<u>\$2,245,885,000</u>	<u>\$1,380,772,367</u>	<u>\$ 3,626,657,367</u>

**D. Unissued Authorized Bonds**

In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County's traffic problems by authorizing the County to issue up to \$900,000,000 of bonds secured by a pledged of its unlimited ad valorem taxing power. As of February 28, 2015, 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, 2015, the outstanding principal balance of these defeased bonds was \$2,011,899,000.

**F. Debt Issuances**

On April 28, 2014, the County pledged \$500,000 of the Federal Home Loan Bank ("FHLB") bond to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On May 5, 2014, the County pledged \$500,000 FHLB bond to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On May 15, 2014, the County pledged \$500,000 FHLB bond to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On July 18, 2014, the County pledged an additional \$500,000 FHLB bond to JP Morgan Chase N.A. to cover a collateral threshold shortfall on the \$72,785,000 interest rate swap for the 2007B Series bonds.

On July 30, 2014, the County pledged an additional \$500,000 FHLB bond to JP Morgan Chase N.A. to cover a collateral threshold shortfall on the \$72,785,000 interest rate swap for the 2007B Series bonds.

On August 15, 2014, the County pledged an additional \$500,000 FHLB bond to JP Morgan Chase N.A. to cover a collateral threshold shortfall on the \$72,785,000 interest rate swap for the 2007B Series bonds.

On October 8, 2014 the County pledged \$500,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On October 15, 2014 the County pledged \$1,500,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

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On October 16, 2014 the County pledged \$500,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On December 15, 2014 the County pledged \$600,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On December 17, 2014 the County pledged \$1,000,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 2, 2015 the County pledged \$100,000 Fannie Mae ("FNMA") note to Citibank N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 5, 2015 the County pledged \$1,000,000 FNMA note to Citibank N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 6, 2015 the County pledged \$2,000,000 FNMA note to Citibank N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 6, 2015 the County pledged \$2,000,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 7, 2015 the County pledged \$2,000,000 FNMA note to Citibank N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 15, 2015 the County pledged \$500,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 16, 2015 the County pledged \$500,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On January 29, 2015 the County pledged \$900,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On February 2, 2015 the County pledged \$2,000,000 FHLB note to JP Morgan Chase N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On February 2, 2015 the County pledged \$3,000,000 FNMA note to Citibank N.A. to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

**G. Commercial Paper**

In addition to the outstanding long-term debt of the Authority, the Commissioners Court has established a commercial paper program secured by the payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Series E Notes") in an aggregate principal amount not to exceed \$200 million outstanding at any one time. As of February 28, 2015, the Toll Road has no outstanding commercial paper and there was no commercial paper activity during the year ended February 28, 2015.

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

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suspended the Series E Notes commercial paper program and, at this time, it remains dormant. However, the County may at any time execute a parity obligation to provide liquidity support for, and resume issuing, Series E Notes.

**H. Arbitrage Rebate Liability**

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2015. As of February 28, 2015 there were no estimated liabilities for arbitrage rebate on enterprise debt.

**I. Interest Rate Swap**

The County entered an interest rate swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2012A and Series 2012B, 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 2012A&B	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 <sup>th</sup> day of each month	The 15 <sup>th</sup> day of February, May, August and November	The 15 <sup>th</sup> day of February, May, August and November
Collateral Threshold: (b)	(\$15,000,000)	(\$15,000,000)	(\$15,000,000)
Fair Value as of 2/28/15:	(\$20,029,581)	(\$25,012,557)	(\$25,012,557)
Collateral Pledged:	\$10,300,000 (c)	\$11,600,000 (c)	\$15,955,000 (d)
<p>(a) The notional amount for the swaps amortizes to match the outstanding bond.</p> <p>(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.</p> <p>(c) The County pledged a \$11.6 million FNMA note with a \$20,000,000 par, at 1.125% and a \$10.3 million FNMA note with a \$27,000,000 par, at 1.00% to Citibank as collateral under the terms of the swap agreements related to the Toll Road Senior Revenue Refunding Bonds, Series 2012A&amp;B and a portion of the Series 2007B.</p> <p>(d) The County pledged a \$15.955 million FHLB note with a \$40,000,000 par at 1.06% to JP Morgan as collateral under the terms of the swap agreements related to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B.</p>			

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.

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Summary of GASB 53 Effectiveness Testing:

	Citibank–Toll Road Authority, Series 2012A&B	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 2012A&B	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	A2, A, and A	A2, A, and A	Aa3, A+, and A+
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	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 \$20,029,581, which is based on a fair market value calculation.	The exposure to the County is \$25,012,557, which is based on a fair market value calculation.	The exposure to the County is \$25,012,557, which is based on a fair market value calculation.

**J. Subsequent Debt Related Activity**

On April 1, 2015 Citibank released \$10,300,000 in FNMA notes pledged as collateral and replaced it with \$15,000,000 in FHLB notes to cover the collateral threshold shortfall on the \$199,915,000 interest rate swap for the Series 2012A&B bonds.

On April 1, 2015 Citibank released \$7,000,000 in FHLB notes pledged as collateral to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On May 4, 2015, JP Morgan released \$2,000,000 in FHLB notes pledged as collateral to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On May 4, 2015, Citibank released \$2,000,000 in FHLB notes pledged as collateral to cover the collateral threshold shortfall on the \$199,915,000 interest rate swap for the Series 2012A&B bonds.

On July 2, 2015, Citibank released \$5,000,000 in FHLB notes pledged as collateral to cover the collateral threshold shortfall on the \$199,915,000 interest rate swap for the Series 2012A&B bonds.

On July 3, 2015, JP Morgan released \$4,000,000 in FHLB notes pledged as collateral to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

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**8. RETIREMENT PLAN**

**Plan Description** - The County provides retirement and disability 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 677 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 20-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 2015 is 13.88%. The contribution rates for calendar years 2014 and 2013 were 12.43% and 11.59%, 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, when the sum of their age and years of service equals 75 or more, or if they become disabled. Members are vested after eight years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

**Funding Policy** - The County has elected the annually determined contribution rate ("ADCR") plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using an actuarial determined rate of 12.43% for the months of the calendar year in 2014, and 13.88% for the months of the calendar year in 2015.

The contribution rate payable by the employee members for 2014 and 2015 is a rate of 6% and 7%, 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 Required Supplemental Information ("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.

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**Annual Pension Cost** - For the County's fiscal year ended February 28, 2015, the annual pension cost for the TCDRS plan for its employees, including the Authority, was \$106,315,610 and the actual contributions for the Authority were \$4,216,934. (This excludes actuarial contributions of \$4,395,348 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, 2012 and December 31, 2013, the basis for determining the contribution rates for calendar years 2014 and 2015. The December 31, 2014 report is the most recent valuation.

The assumptions at December 31, 2014 summarized below included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

<b>Actuarial Valuation Method</b>			
Actuarial Valuation Date	12/31/12	12/31/13	12/31/14
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: 5-yr smoothed value ESF: Fund value	SAF: 5-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.4 %	4.9 %	4.9 %
Inflation	3.5 %	3.0 %	3.0 %
Cost of Living Adjustments	0.0 %	0.0 %	0.0 %
(1) Includes inflation at the stated rate.			

<b>Harris County Trend Information</b>				
Accounting Year Ending	Total Annual Pension Cost	Authority Portion	Percentage of APC Contributed	Net Pension Obligation
2/28/15	\$ 106,315,610	\$4,216,934	100%	-
2/28/14	\$ 94,478,802	\$3,767,024	100%	-
2/28/13	\$ 80,833,553	\$3,349,266	100%	-

<b>Schedule of Funding (including Community Supervision)</b>	
Actuarial Valuation Date	12/31/14
Actuarial Value of Assets	\$3,264,826,444
Actuarial Accrued Liability (AAL)	\$3,782,197,854
Unfunded Actuarial Accrued Liability (UAAL)	\$ 517,371,410
Funded Ratio	86.32%
Annual Covered Payroll (Actuarial)	\$ 859,233,866
UAAL as Percentage of Covered Payroll	60.21%

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**9. 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, 2013, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,253
Active plan members	13,422
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.

Contributions

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

Retired Prior to March 1, 2002:

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

Retired or Eligible to Retire Prior to March 1, 2011:

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



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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.

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.

Effective March 1, 2012:

Harris County pays no more for retiree healthcare than the premium it pays for active employees for each rate tier structure (retiree only, retiree + spouse, retiree + child, retiree + 2 or more dependents). As a result all non-Medicare retirees pay an additional amount for their coverage regardless of their retirement date.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and 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, 2015, plan members or beneficiaries receiving benefits contributed \$9.75 million, or approximately 19.8 percent of total benefits paid during the year. Participating employers contributed \$39.54 million. The total contributions for the year ended February 28, 2015 were \$49.29 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 2015, the County's annual OPEB cost (expense) was \$101,776,459 (including Toll Road of \$4,141,857) 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, 2015 were as follows:

Annual Required Contribution	\$ 109,456,719
Add interest on Net OPEB Obligation	17,229,877
Less adjustment to Annual Required Contribution	<u>(24,910,137)</u>
Annual OPEB Cost	101,776,459
Less Contributions made	<u>(39,543,124)</u>
Change in Net OPEB Obligation	62,233,335
Net OPEB Obligation, beginning of the year	<u>430,746,908</u>
Net OPEB Obligation, end of the year	<u><u>\$ 492,980,243</u></u>

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*Trend Information:*

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2013	\$ 91,773,629	\$ 38,172,557	42%	\$ 361,204,066
2/28/2014	103,016,414	33,473,572	32%	430,746,908
2/28/2015	101,776,459	39,543,124	39%	492,980,243

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 net OPEB obligation for Emergency 911 and Community Supervision is \$854,515 and \$0 respectively for fiscal year 2014 and the net OPEB obligation for Emergency 911 and Community Supervision is \$982,079 and \$0 respectively at February 28, 2015. Toll Road's portion of the net OPEB obligation above is \$25,658,928.

*Funded Status and Funding Progress.* The funded status of the plan as of March 1, 2013 (most recent actuarial valuation) was as follows:

	All Participants	Toll Road Portion
Unfunded actuarial accrued liability (UAAL)	\$ 1,189,670,446	\$ 40,081,280
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 900,961,148	\$ 32,810,502
UAAL as a percentage of covered payroll	132%	122%

The "All Participants" column in the above table includes UAAL of \$1,586,416 for Emergency 911 and UAAL of \$13,136,729 for Community Supervision.

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

Actuarial Methods and Assumptions

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

In the March 1, 2013 actuarial valuation, a 4% discount rate was used. The medical trend rates of 7% for 2013 graded down to an ultimate rate of 5% by 2017 were used per the actuary's best estimate of expected long-term plan experience. The economic assumptions used in this valuation implicitly assume a general inflation level of approximately 2.5%.

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The actuarial cost method used in valuing the County's liabilities was the Projected Unit Credit 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.

## **10. COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of \$181,190,926.

**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.

**Pollution Remediation**

The Authority is subject to numerous Federal, State and Local environmental laws and regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

detrimental effects of existing pollution. The Authority recorded in the financial statements pollution remediation liabilities of \$588,825. This liability is partially attributable to land acquired by the Authority with known pollution which is expected to be remediated before the land can be used for its intended purpose. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 28, 2015. Additional costs, if any, are not expected to have a material effect on the financial condition of the Authority.

**Metro Agreement**

An amended agreement between Metro and the County related to the Westpark Corridor was approved by Commissioners' Court on May 7, 2013. Per this agreement the County is obligated to reimburse Metro for certain increased project costs if incurred. The County's liability to Metro under the agreement shall not exceed the cap of \$41 million and the escalation thereof. Ad valorem taxes are irrevocably pledged to the payment.

**11. TRANSFERS AND ADVANCES**

The Commissioners Court approved a \$120 million annual allocation for funding of a County thoroughfare program to increase general mobility.

**12. REVENUE LEASES**

**Operating Leases**

The Authority was the lessor in a lease of land for a construction staging area; there was lease revenue recognized in the amount of \$2,914. Also, the Authority was the lessor in a lease for signage. In the current year, there was lease revenue recognized in the amount of \$7,200.

There are contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to \$11,700 in 2015.

**13. RECENT ACCOUNTING PRONOUNCEMENTS**

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 will be implemented by the Authority in fiscal year 2016. Net pension liability will be reported as a line on the balance sheet for the first time and deferred inflows and outflows related to pension will be reported. Pension expense for income statement purposes will be calculated differently than it has been in the past and it could be more volatile year to year. Pension expense will be the change in net pension liability from year to year, adjusted for the change in deferred inflows/outflows. Previous to GASB 68, pension expense was based on employer contributions.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"), is an amendment to Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 71 eliminates the source of a potential significant understatement of restated beginning net position and

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2015**

expense in the first year implementation of Statement 68 in accrual basis financial statements. GASB 71 will be implemented by the Authority in fiscal year 2016 and the impact has not yet been determined.

GASB Statement 72, *Fair Value Measurement and Application* (“GASB 72”), addresses accounting and financial reporting issues related to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes and guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (“GASB 73”), establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. GASB 73 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (“GASB 74”), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB 74 will be implemented by the Authority in fiscal year 2018 and the impact has not yet been determined.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (“GASB 75”), replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB 75 will be implemented by the Authority in fiscal year 2019 and the impact has not yet been determined.

GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”), has the objective to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (“GAAP”). GASB 76 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

**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, 2015**  
**(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)
2013	3/1/2011	\$ -	\$ 976,631,331	\$ 976,631,331	0%	\$ 727,014,798	134.3%
2014	3/1/2013	-	1,189,670,446	1,189,670,446	0%	776,162,676	153.3%
2015	3/1/2013	-	1,189,670,446	1,189,670,446	0%	900,961,148	132.0%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$1,586,416 and \$13,136,729 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)
2013	3/1/2011	\$ -	\$ 32,584,807	\$ 32,584,807	0%	\$ 30,519,362	106.8%
2014	3/1/2013	-	40,081,280	40,081,280	0%	30,958,782	129.5%
2015	3/1/2013	-	40,081,280	40,081,280	0%	32,810,502	122.2%

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**  
**February 28, 2015**  
**(Unaudited)**

Actuarial Valuation Date	12/31/12	12/31/13	12/31/14
Actuarial Value of Assets	\$2,900,822,171	\$3,066,967,671	\$3,264,826,444
Actuarial Accrued Liability (AAL)	\$3,415,552,240	\$3,600,574,458	\$3,782,197,854
Unfunded Actuarial Accrued Liability (UAAL)	\$ 514,730,069	\$ 533,606,787	\$ 517,371,410
Funded Ratio	84.93%	85.18%	86.32%
Annual Covered Payroll (Actuarial)	\$ 779,898,383	\$ 800,850,524	\$ 859,233,866
UAAL as Percentage of Covered Payroll	66.00%	66.63%	60.21%



## **OTHER INFORMATION**

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

<b>Component/Segment</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Hardy Toll Road-North	16,953,587	17,668,305	18,433,687	19,745,713	22,526,309
Hardy Toll Road-South	20,422,457	20,331,672	21,237,338	22,582,166	25,781,244
Sam Houston Tollway-South	67,798,603	69,947,937	71,992,571	73,769,141	77,815,638
Sam Houston Tollway-Central	55,851,055	57,501,489	58,778,449	60,951,356	64,822,097
Sam Houston Tollway-North	68,303,640	71,226,681	74,244,587	76,250,824	79,759,184
Sam Houston Ship Channel Bridge	13,437,267	14,844,574	16,443,541	17,274,970	18,944,058
Sam Houston Tollway-North/East (a)	77,277	13,014,261	15,432,417	17,038,513	19,844,104
Sam Houston Tollway-East	20,578,112	21,976,447	22,701,821	23,071,940	25,109,427
Sam Houston Tollway-South/East	27,897,817	28,301,887	29,131,296	29,153,299	32,873,557
Sam Houston Tollway-South/West	32,468,990	33,005,541	33,477,773	31,343,137	36,796,203
Westpark Tollway	39,534,868	41,234,056	43,575,876	45,957,937	48,915,625
Spur 90A / Fort Bend Parkway Extension	3,121,672	3,182,925	3,456,988	3,728,952	4,013,391
Katy Managed Lanes	14,219,063	16,071,614	19,320,467	22,388,942	28,243,333
Total	<u>380,664,408</u>	<u>408,307,389</u>	<u>428,226,811</u>	<u>443,256,890</u>	<u>485,444,170</u>

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

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

**Toll Rate Schedule Effective as of September 6, 2014**

	<b>Attended Lanes</b>	<b>Exact Change Lanes</b>	<b>EZ Tag Lanes</b>
<u>Two Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.50-1.75	\$ 0.50-1.75	\$ 0.50-1.45
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	\$ 1.50
Westpark	N/A	N/A	\$ 0.40-1.45
Hwy 90A	N/A	\$ 1.75	\$ 1.45
Katy Managed Lanes	N/A	N/A	\$ 0.30-3.20
<u>Three to Six Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.25-8.75	N/A	\$ 1.25-8.75
Sam Houston Ship Channel Bridge	\$ 3.50-8.75	N/A	\$ 3.50-8.75
Westpark	N/A	N/A	\$ 1.00-8.75
Hwy 90A	N/A	N/A	\$ 3.50-8.75
Katy Managed Lanes	N/A	N/A	\$ 7.00

**Toll Rate Schedule Effective as of September 7, 2013**

	<b>Attended Lanes</b>	<b>Exact Change Lanes</b>	<b>EZ Tag Lanes</b>
<u>Two Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.50-1.75	\$ 0.50-1.75	\$ 0.50-1.45
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	\$ 1.50
Westpark	N/A	N/A	\$ 0.40-1.45
Hwy 90A	N/A	\$ 1.75	\$ 1.45
Katy Managed Lanes	N/A	N/A	\$ 0.30-3.20
<u>Three to Six Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.25-8.75	N/A	\$ 1.25-8.75
Sam Houston Ship Channel Bridge	\$ 3.50-8.75	N/A	\$ 3.50-8.75
Westpark	N/A	N/A	\$ 1.00-8.75
Hwy 90A	N/A	N/A	\$ 3.50-8.75
Katy Managed Lanes	N/A	N/A	\$ 7.00

# TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS

## Toll Road Selected Financial Information

### Schedule 3 (Unaudited)

	2011	2012	2013	2014	2015
<b>Operating Revenues</b>					
Toll revenues	\$ 481,346,283	\$ 519,296,886	\$ 560,079,182	\$ 609,965,677	\$ 688,920,884
Intergovernmental revenues	851,964	6,056,459	633,607	215,786	-
Total Operating Revenues	<u>482,198,247</u>	<u>525,353,345</u>	<u>560,712,789</u>	<u>610,181,463</u>	<u>688,920,884</u>
<b>Operating Expenses</b>					
Salaries	51,442,644	49,453,565	49,586,864	51,181,705	52,791,017
Materials and supplies	9,959,147	9,593,144	9,937,433	13,289,189	12,468,384
Services and fees	79,340,641	77,813,626	81,449,680	90,902,682	95,914,299
Utilities	3,200,664	3,350,959	3,413,625	3,400,019	3,115,952
Transportation and travel	1,110,594	2,252,155	2,791,510	3,132,094	3,008,253
Depreciation	72,934,209	74,800,445	88,186,025	90,149,522	94,431,249
Total Operating Expenses	<u>217,987,899</u>	<u>217,263,894</u>	<u>235,365,137</u>	<u>252,055,211</u>	<u>261,729,154</u>
<b>Income from Operations</b>	<u>264,210,348</u>	<u>308,089,451</u>	<u>325,347,652</u>	<u>358,126,252</u>	<u>427,191,730</u>
<b>Nonoperating Revenues</b>					
Investment income	13,528,156	39,551,494	27,068,382	5,051,716	20,471,612
Lease revenues	134,086	18,900	24,100	26,700	21,814
Other	818,557	779,556	766,331	1,061,250	1,922,228
Total Nonoperating Revenues	<u>14,480,799</u>	<u>40,349,950</u>	<u>27,858,813</u>	<u>6,139,666</u>	<u>22,415,654</u>
<b>Nonoperating Expenses</b>					
Interest expense	125,570,077	123,752,002	99,123,166	92,818,557	91,521,555
Amortization expense	17,140,081	18,084,253	51,260,387	40,487,937	14,966,359
Other	2,567,997	9,527,004	298,582	642,823	224,360,951
Total Nonoperating Expenses	<u>145,278,155</u>	<u>151,363,259</u>	<u>150,682,135</u>	<u>133,949,317</u>	<u>330,848,865</u>
<b>Net Income Before Contributions and Transfers Out</b>	133,412,992	197,076,142	202,524,330	230,316,601	118,758,519
Contributions (a)	3,063,258	360,000	-	-	-
Transfers In	1,071,318	280,745	86,523	-	157,037
Transfers Out (b)	(124,352,918)	(133,528,463)	(120,035,799)	(121,047,886)	(121,925,426)
<b>Change in Net Assets</b>	<u>\$ 13,194,650</u>	<u>\$ 64,188,424</u>	<u>\$ 82,575,054</u>	<u>\$ 109,268,715</u>	<u>\$ (3,009,870)</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 years 2011 - 2015 \$120 million.

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

<b>Fiscal Year Ending</b>	<b>(a)</b>		<b>(b)</b>		<b>Revenues Available For Unlimited Subordinate Lien Tax Bonds</b>		<b>Coverage Ratio On Unlimited Subordinate Lien Tax Bonds</b>	
	<b>Project Revenues</b>	<b>Other Earnings</b>	<b>Debt Service Senior Lien Revenue Bonds</b>	<b>Coverage Ratio On Senior Lien Revenue Bonds</b>	<b>O &amp; M Expenses</b>	<b>Debt Service Tax Bonds</b>	<b>Debt Service Tax Bonds</b>	<b>Debt Service Tax Bonds</b>
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
2012	519,296,886	45,625,135	127,292,732	4.438	120,679,625	316,949,664	85,172,767	3.721
2013	560,079,182	27,721,804	124,176,493	4.734	126,516,150	337,108,343	84,627,966	3.983
2014	609,965,677	5,293,713	135,626,911	4.536	136,373,150	343,259,329	73,812,290	4.650
2015	688,920,884	20,493,426	126,468,438	5.609	154,740,075	428,205,797	82,855,667	5.168

(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)**

<b>Component/Segment</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Hardy Toll Road-North	\$ 20,647,462	\$ 21,505,143	\$ 23,105,024	\$ 26,087,773	\$ 30,484,767
Hardy Toll Road-South (a)	24,408,303	24,348,763	26,149,867	28,888,653	32,934,474
Sam Houston Tollway-South	80,367,222	82,373,602	87,599,580	94,450,310	100,818,123
Sam Houston Tollway-Central	70,335,317	72,006,018	76,180,460	82,725,157	89,664,185
Sam Houston Tollway-North	83,017,591	85,762,105	93,172,078	100,831,887	107,823,763
Sam Houston Ship Channel Bridge	23,812,955	25,887,147	28,611,706	29,956,041	32,543,323
Sam Houston Tollway-East	26,081,234	27,770,951	29,687,922	31,564,555	34,727,037
Sam Houston Tollway-South/East	34,906,120	35,143,735	37,535,888	39,360,926	44,281,024
Sam Houston Tollway-South/West	37,595,333	37,747,467	39,284,945	37,485,698	47,003,729
Sam Houston Tollway-North/East (g)	72,709	14,429,942	17,649,388	20,156,797	23,900,271
Westpark Tollway	41,427,251	42,789,663	46,825,290	51,442,972	54,735,176
Spur 90A	3,892,055	3,926,481	4,405,854	4,950,869	5,343,739
Katy Managed Lanes	6,715,041	8,015,765	10,331,568	13,924,091	17,428,859
Administration (b)	17,581,267	24,278,883	22,633,355	25,901,055	36,301,290
Fort Bend	1,494,072	1,609,560	1,687,739	1,774,907	2,950,781
IOP-NTTA (c)	3,831,919	5,181,048	6,810,725	8,627,655	10,497,290
IOP-TTA (d)	4,922,416	6,466,179	8,231,949	11,249,883	16,585,363
IOP-CTRMA (e)	47,487	54,434	75,103	125,714	221,296
IOP-Metro (h)	-	-	100,741	460,734	676,394
Airport GT (f)	13,007	-	-	-	-
Airport Park (f)	177,521	-	-	-	-
Total	<u>\$ 481,346,282</u>	<u>\$ 519,296,886</u>	<u>\$ 560,079,182</u>	<u>\$ 609,965,677</u>	<u>\$ 688,920,884</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 and the program was discontinued in June 2010.

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

(h) Beginning in FY2013, Metro issued EZ tags on their commuter vehicles. The figures represent tolls collected from Metro for their vehicles incurring tolls on the HCTRA system.

**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
2016	\$ 40,685,000	\$ 17,831,810	\$ 58,516,810	\$ 57,025,000	\$ 85,702,108	\$ 142,727,108	\$ 97,710,000	\$ 103,533,918	\$ 201,243,918
2017	26,380,000	16,419,012	42,799,012	67,205,000	84,162,276	151,367,276	93,585,000	100,581,288	194,166,288
2018	26,610,000	15,127,731	41,737,731	70,600,000	81,925,698	152,525,698	97,210,000	97,053,429	194,263,429
2019	27,445,000	13,742,050	41,187,050	71,735,000	79,230,239	150,965,239	99,180,000	92,972,289	192,152,289
2020	28,345,000	12,277,563	40,622,563	75,435,000	76,141,810	151,576,810	103,780,000	88,419,373	192,199,373
2021	29,285,000	10,764,775	40,049,775	78,475,000	72,559,065	151,034,065	107,760,000	83,323,840	191,083,840
2022	19,445,000	9,485,612	28,930,612	84,015,000	68,727,612	152,742,612	103,460,000	78,213,224	181,673,224
2023	20,240,000	8,449,022	28,689,022	59,910,000	65,302,794	125,212,794	80,150,000	73,751,816	153,901,816
2024	20,700,000	7,384,903	28,084,903	62,275,000	62,357,700	124,632,700	82,975,000	69,742,603	152,717,603
2025	21,165,000	6,297,059	27,462,059	64,735,000	59,292,294	124,027,294	85,900,000	65,589,353	151,489,353
2026	12,070,000	5,430,338	17,500,338	65,530,000	56,090,118	121,620,118	77,600,000	61,520,456	139,120,456
2027	12,090,000	4,796,138	16,886,138	63,930,000	52,860,312	116,790,312	76,020,000	57,656,450	133,676,450
2028	12,115,000	4,160,756	16,275,756	62,420,000	49,712,175	112,132,175	74,535,000	53,872,931	128,407,931
2029	12,135,000	3,524,194	15,659,194	66,080,000	46,528,406	112,608,406	78,215,000	50,052,600	128,267,600
2030	12,160,000	2,886,450	15,046,450	69,925,000	43,181,181	113,106,181	82,085,000	46,067,631	128,152,631
2031	12,185,000	2,247,394	14,432,394	81,915,000	39,465,693	121,380,693	94,100,000	41,713,087	135,813,087
2032	12,210,000	1,607,025	13,817,025	86,295,000	35,355,968	121,650,968	98,505,000	36,962,993	135,467,993
2033	12,240,000	965,213	13,205,213	90,005,000	31,043,281	121,048,281	102,245,000	32,008,494	134,253,494
2034	12,265,000	321,956	12,586,956	95,260,000	26,638,269	121,898,269	107,525,000	26,960,225	134,485,225
2035	-	-	-	104,285,000	22,068,554	126,353,554	104,285,000	22,068,554	126,353,554
2036	-	-	-	109,240,000	17,358,544	126,598,544	109,240,000	17,358,544	126,598,544
2037	-	-	-	42,830,000	13,711,288	56,541,288	42,830,000	13,711,288	56,541,288
2038	-	-	-	31,905,000	11,874,112	43,779,112	31,905,000	11,874,112	43,779,112
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	\$369,770,000	\$ 143,719,001	\$ 513,489,001	\$ 1,876,115,000	\$ 1,237,053,366	\$3,113,168,366	\$2,245,885,000	\$ 1,380,772,367	\$3,626,657,367

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

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

<b>Issue</b>	<b>Date Issued</b>	<b>Outstanding Principal Amount at February 28, 2015</b>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	\$ 26,005,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	306,405,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2008A	December 2008	25,545,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2010B	November 2010	11,815,000
<b>TOTAL</b>		<b>\$ 369,770,000</b>



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

The Series 2004B, Series 2006A, Series 2007A, Series 2007B, and Series 2008B, Series 2009A, Series 2009C, Series 2010C, Series 2010D, Series 2012A, Series 2012B, Series 2012C, and Series 2012D are referred to as the “Senior Lien Revenue Bonds”.

<b>Issue</b>	<b>Outstanding Principal Amount at February 28, 2015</b>
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	252,375,000
Refunding Bonds Series 2007B	145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2008B	314,055,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2009A	215,455,000
Refunding Bonds Series 2009C	250,000,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2010C	11,210,000
Refunding Bonds Series 2010D	29,370,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2012A	60,415,000
Refunding Bonds Series 2012B	139,500,000
Refunding Bonds Series 2012C	229,695,000
Refunding Bonds Series 2012D	92,940,000
<b>TOTAL</b>	<b>\$ 1,876,115,000</b>

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2014-2015**

**Schedule 9  
(Unaudited)**

On February 10, 2015 the Commissioners Court adopted the budget for the County for the Fiscal Year 2015-2016. The Fiscal Year 2016 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2015-2016 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2015	\$ 549,848,561
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,240,705,513
Charges for Services	235,126,021
Fines and Forfeitures	20,657,051
Intergovernmental Revenues	42,803,565
Interest	1,954,036
Other	48,506,075
Total Cash and Estimated Revenues	<u>\$ 2,139,600,822</u>
Appropriations:	
Current Operating Expenses	\$ 2,098,107,163
Capital Outlay:	
Roads	10,527,983
Parks	26,111,812
Office/Courts	4,853,864
Total Appropriations	<u>\$ 2,139,600,822</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, 2015 derived from the sale of bonds and other sources and the investment income (except investment income may be used for debt service) thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 134,216,297
Permanent Improvements	13,639,899
Flood Control	<u>200,463,679</u>
Total	<u><u>\$ 348,319,875</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)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Exemptions (a)</b>	<b>Total Taxable Assessed Value</b>		<b>M&amp;O Tax Rate</b>	<b>Debt Service Tax Rate</b>	<b>Total County Tax Rate</b>
2006	\$ 230,050,598	\$ 37,313,520	\$ 61,017,743	\$ 206,346,375	(b)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(b)	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
2012	313,475,950	51,539,733	88,299,285	276,716,398		0.33444	0.05673	0.39117
2013	324,827,229	57,313,966	91,639,208	290,501,987		0.33271	0.06750	0.40021
2014	347,626,720	62,743,816	93,848,695	316,521,841		0.34547	0.06908	0.41455
2015	384,362,133	65,476,453	99,412,873	350,425,713		0.34547	0.07184	0.41731

(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 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)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Adjusted Levy as of End of Current Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years*</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2006	\$ 796,885	\$ 819,937	\$ 719,922	90.3%	\$ 97,072	\$ 816,994	99.6%
2007	887,598	903,572	793,835	89.4	106,815	900,650	99.7
2008	929,929	991,224	910,828	97.9	77,410	988,238	99.7
2009	1,089,141	1,085,539	981,807	90.1	100,178	1,081,985	99.7
2010	1,114,429	1,101,677	1,036,477	93.0	60,741	1,097,218	99.6
2011	1,058,623	1,049,987	987,684	93.3	58,233	1,045,917	99.6
2012	1,081,861	1,072,946	1,022,187	94.5	46,081	1,068,268	99.6
2013	1,160,905	1,150,300	1,100,588	94.8	43,501	1,144,089	99.5
2014	1,308,910	1,317,539	1,247,389	95.3	43,411	1,290,800	98.0
2015	1,459,066	1,459,066	1,390,628	95.3	-	1,390,628	95.3

\* 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	2015			2006		
	2014 Taxable Valuations (a)	Rank	Percentage of Total 2014 Taxable Valuation (b)	2005 Taxable Valuations (a)	Rank	Percentage of Total 2005 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,224,580	1	0.92%	\$ 3,157,665	1	1.53%
Centerpoint Energy, Inc.	2,780,025	2	0.79	2,604,445	2	1.26
Shell Oil Company	2,502,412	3	0.71	1,945,346	3	0.94
Lyondell	2,447,954	4	0.70	1,292,657	4	0.63
Chevron Chemical Company	2,156,757	5	0.62	935,750	8	0.45
NOV Wilson LP	1,237,770	6	0.35	-		0.00
Hewlett Packard	1,217,931	7	0.35	592,359	10	0.29
Cousins Greenway	1,013,393	8	0.29	-		0.00
BP Amoco	965,729	9	0.28	-		0.00
Crescent Real Estate	917,216	10	0.26	966,916	7	0.47
Halliburton Company	733,859	11	0.21	-		0.00
Baker Hughes	718,557	12	0.21	-		0.00
United Airlines Inc.	714,957	13	0.20	-		0.00
Busycon Properties LLC	536,990	14	0.15	-		0.00
Palmetto Transoceanic LLC	534,722	15	0.15	-		0.00
Southwestern Bell Telephone (SBC0	-		0.00	1,058,278	5	0.51
Equistar Chemicals Limited Partnership	-		0.00	1,055,374	6	0.51
Hines Interests Ltd Partnership	-		0.00	854,380	9	0.41
Rohm & Haas Co.	-		0.00	499,167	11	0.24
Anheuser Busch Inc.	-		0.00	473,966	12	0.23
Trizecahn	-		0.00	415,503	13	0.20
Calpine	-		0.00	405,130	14	0.20
Oxy Vinlys LP	-		0.00	399,223	15	0.19
<b>Total</b>	<b>\$ 21,702,852</b>		<b>6.19%</b>	<b>\$ 16,656,159</b>		<b>8.07%</b>

**Source:** Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the County's total taxable value as of February 28, 2015.
- (c) Based on the County's total taxable value as of February 29, 2006.

**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	\$ 957,909,147
Unlimited Tax Debt	877,678,713
Flood Control	560,530,000
Toll Road Tax Bonds	<u>369,770,000</u>
Total	\$ 2,765,887,860
Less: Toll Road Tax Bonds	<u>(369,770,000)</u>
Total (Approximately 0.53% of 2014 Assessed Value)	<u><u>\$ 2,396,117,860</u></u>

(a) Excluding Flood Control District debt of \$87,400,000 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 2005-06 through 2014-15.

<u>Fiscal Year</u>	<u>County's Debt Outstanding (a)</u> (thousands)	<u>Taxable Value (b)</u> (thousands)	<u>Outstanding as a Percentage of Taxable Value</u>	<u>Estimated Population (c)</u>	<u>Debt Outstanding Per Capita</u>
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
2012	2,990,172	276,716,398	1.08	4,178,574	716
2013	2,825,047	290,501,987	0.97	4,253,700	664
2014	2,713,804	316,521,841	0.86	4,336,853	626
2015	2,765,888	350,425,713	0.79	4,441,370	623

(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
2016	\$ 60,982	\$ 49,472	\$ 110,454	\$ 31,263	\$ 42,080	\$ 73,343	\$ 40,685	\$ 17,832	\$ 58,517	\$ 24,835	\$ 29,900	\$ 54,735	\$ 157,765	\$ 139,284	\$ 297,049
2017	69,832	47,663	117,495	31,589	40,467	72,056	26,380	16,419	42,799	25,385	29,448	54,833	153,186	133,997	287,183
2018	67,021	45,251	112,272	36,417	39,359	75,776	26,610	15,128	41,738	25,955	28,914	54,869	156,003	128,652	284,655
2019	69,071	42,999	112,070	51,405	37,977	89,382	27,445	13,742	41,187	26,705	28,239	54,944	174,626	122,957	297,583
2020	62,981	40,510	103,491	47,250	35,418	82,668	28,345	12,278	40,623	28,025	26,927	54,952	166,601	115,133	281,734
2021	71,205	29,097	100,302	52,395	33,060	85,455	29,285	10,765	40,050	29,495	25,456	54,951	182,380	98,378	280,758
2022	92,415	25,823	118,238	35,595	30,488	66,083	19,445	9,486	28,931	30,980	23,974	54,954	178,435	89,771	268,206
2023	57,240	21,406	78,646	65,540	28,734	94,274	20,240	8,449	28,689	32,605	22,347	54,952	175,625	80,936	256,561
2024	49,176	30,460	79,636	67,495	25,558	93,053	20,700	7,385	28,085	34,235	20,717	54,952	171,606	84,120	255,726
2025	82,827	28,826	111,653	59,370	22,249	81,619	21,165	6,297	27,462	35,950	19,005	54,955	199,312	76,377	275,689
2026	41,109	25,208	66,317	53,770	19,368	73,138	12,070	5,430	17,500	37,665	17,592	55,257	144,614	67,598	212,212
2027	52,500	11,023	63,523	54,305	16,679	70,984	12,090	4,796	16,886	39,125	15,709	54,834	158,020	48,207	206,227
2028	53,375	8,375	61,750	54,870	13,964	68,834	12,115	4,161	16,276	41,075	13,753	54,828	161,435	40,253	201,688
2029	33,065	20,171	53,236	55,455	11,345	66,800	12,135	3,524	15,659	43,100	11,731	54,831	143,755	46,771	190,526
2030	23,410	4,290	27,700	45,650	8,698	54,348	12,160	2,886	15,046	42,225	9,608	51,833	123,445	25,482	148,927
2031	24,405	3,095	27,500	43,590	6,541	50,131	12,185	2,247	14,432	29,590	7,529	37,119	109,770	19,412	129,182
2032	25,485	1,848	27,333	44,270	4,473	48,743	12,210	1,607	13,817	10,970	6,049	17,019	92,935	13,977	106,912
2033	21,810	545	22,355	15,050	2,373	17,423	12,240	965	13,205	11,520	5,500	17,020	60,620	9,383	70,003
2034	-	-	-	15,805	1,620	17,425	12,265	322	12,587	12,095	4,925	17,020	40,165	6,867	47,032
2035	-	-	-	16,595	830	17,425	-	-	-	12,700	4,320	17,020	29,295	5,150	34,445
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	\$ 957,909	\$ 436,062	\$ 1,393,971	\$ 877,679	\$ 421,281	\$ 1,298,960	\$ 369,770	\$ 143,719	\$ 513,489	\$ 647,930	\$ 363,056	\$ 1,010,986	\$ 2,853,288	\$ 1,364,118	\$ 4,217,406

(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, 2015, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November 1999, November 2001, November 2007, and November 2013 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	43,800	
Forensic Lab	67,400	
Family Law Center	70,000	
Joint Processing Center	67,600	
Total Limited Tax Bonds		\$ 281,800
Unlimited Tax:		
Road Bonds	60,780	
Total Unlimited Tax Bonds		60,780
Combination Unlimited Tax and Revenue:		
Toll Roads	15,148	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		-
Total Harris County Ad Valorem Tax Bonds		357,728
Total Authorized but Unissued Bonds		<u>\$ 357,728</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Harris County General Fund:										
Reserved	\$ 146,215	\$ 175,301	\$ 175,956	\$ 202,321	\$ 283,664	\$ 341,139	\$ -	\$ -	\$ -	\$ -
Unreserved	175,581	128,418	192,616	166,726	59,063	(22,290)	-	-	-	-
Nonspendable	-	-	-	-	-	-	4,840	4,463	5,134	6,805
Restricted	-	-	-	-	-	-	280,566	347,309	429,372	462,289
Committed	-	-	-	-	-	-	2,120	2,847	2,508	-
Assigned	-	-	-	-	-	-	33,491	24,013	14,622	16,833
Unassigned	-	-	-	-	-	-	91,927	189,799	355,857	549,705
Total general fund	<u>\$ 321,796</u>	<u>\$ 303,719</u>	<u>\$ 368,572</u>	<u>\$ 369,047</u>	<u>\$ 342,727</u>	<u>\$ 318,849</u>	<u>\$ 412,944</u>	<u>\$ 568,431</u>	<u>\$ 807,493</u>	<u>\$ 1,035,632</u>

**Note:** GASB Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions, replaced the categories that previously had been used to classify fund balance. The County implemented GASB No. 54 for fiscal year 2012.

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

	<b>Full-time Equivalent Employees as of February 28/29</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Administration of Justice	8,380 (a)	8,168	8,740	9,425	9,308	8,779	8,462	8,723	9,290	9,625
Parks	715	706	732	787	797	670	625	675	700	805
County Administration	2,726	2,871	3,024	3,339	3,161	3,032	2,901	2,957	3,021	3,166
Health and Human Services	1,613	1,604	1,706	1,796	1,718	1,467	1,385	1,326	1,334	1,369
Flood Control	312	333	325	354	374	335	308	290	300	291
Tax Administration	428	426	435	428	415	378	341	340	349	348
Roads and Bridges	782	779	807	856	914	597	561	536	550	448

(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, 2015, it is estimated that approximately 2,862 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 2011 through 2015 are summarized as follows:

	FY2015	FY2014	FY2013	FY2012	FY2011
Employer Contributions	\$106,315,610	\$94,478,802	\$80,833,553	\$75,064,075	\$89,543,487