

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

**A Department of Harris County, Texas**

Basic Financial Statements



For The Fiscal Year Ended

February 29, 2008

---

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

*Financial Statements As of February 29, 2008  
and for the Year Then Ended and Independent  
Auditors' Report*

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
 BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED FEBRUARY 29, 2008**

**TABLE OF CONTENTS**

	<u>PAGE</u>	
<b><u>Introductory Section</u></b>		
County Auditor’s Letter of Transmittal .....	1	
<b><u>Financial Section</u></b>		
Independent Auditors’ Report .....	7	
Management’s Discussion and Analysis (Unaudited) .....	9	
Basic Financial Statements:		
Statement of Net Assets .....	17	
Statement of Revenues, Expenses and Changes in Net Assets .....	18	
Statement of Cash Flows .....	19	
Notes to the Financial Statements		
1. Summary of Significant Accounting Policies .....	20	
2. Deposits and Investments .....	23	
3. Other Receivables .....	27	
4. Notes Receivable .....	27	
5. Prepaids and Other Assets .....	27	
6. Capital Assets .....	28	
7. Long-term Debt .....	29	
8. Compensated Absences Payable .....	34	
9. Retirement Plan .....	34	
10. Other Post Employment Benefits .....	36	
11. Commitment and Contingencies .....	39	
12. Transfers and Advances .....	40	
13. Revenue Leases .....	40	
14. Recent Accounting Pronouncements .....	41	
<b><u>Required Supplementary Information (unaudited)</u></b>		
Other Post Employment Benefits – Schedule of Funding Progress .....	43	
<b><u>Other Information (unaudited)</u></b>		
	<u>Schedule</u>	<u>PAGE</u>
Traffic Count Table .....	1	45
Toll Rate Schedule .....	2	46
Toll Road Selected Financial Information .....	3	47
Historical Toll Road Project Operating Results and Coverages .....	4	48
Revenues by Toll Road Components/Segments .....	5	49
Toll Road Bonds Debt Service Requirements .....	6	50
Outstanding Toll Road Tax Bonds .....	7	51
Outstanding Toll Road Senior Lien Revenue Bonds .....	8	52
Operating Funds Budget for the County’s Fiscal Year 2008-2009 .....	9	53

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
 BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED FEBRUARY 29, 2008**

	<u>Schedule</u>	<u>PAGE</u>
County Capital Projects Funds Budgeting.....	10	54
County Assessed Values and Tax Rates.....	11	55
County Tax Levies and Collections (Except Flood Control District).....	12	56
Principal Property Taxpayers.....	13	57
County Tax Debt Outstanding.....	14	58
County Historical Tax Debt Outstanding.....	15	59
Schedule of County-wide Ad Valorem Tax Debt Service Requirements.....	16	60
County-wide Authorized but Unissued Bonds.....	17	61
County General Fund Balances – Last Ten Fiscal Years .....	18	62
Full-Time Equivalent County Employees by Function/Program – Last Ten Fiscal Years.....	19	63
Retirement System Employer Contributions.....	20	64

**I  
N  
T  
R  
O  
D  
U  
C  
T  
O  
R  
Y  
  
S  
E  
C  
T  
I  
O  
N**

**Mike Post, CPA**  
Chief Assistant County Auditor  
Accounting Division

**Steven L. Garner, CPA, CFE**  
Chief Assistant County Auditor  
Audit Division



1001 Preston, Suite 800  
Houston, Texas 77002-  
1817  
(713) 755-6505

FAX (713) 755-8932  
Help Line (713) 755-HELP

**BARBARA J. SCHOTT, CPA**  
**HARRIS COUNTY AUDITOR**

August 20, 2008

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

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended February 29, 2008. 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 are accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 9.

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

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for fiscal year ended February 29, 2008 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## **PROFILE OF THE AUTHORITY**

### ***History***

The Harris County Toll Road Authority was established in 1983 by the Harris County Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters authorized issuance of up to \$900 million in bonds to construct, operate and maintain toll roads in Harris County. The first two components of the toll road system, the Hardy Toll Road and the Sam Houston Tollway-West were completed in 1987 and 1990 respectively. In 1994, the County purchased the Jesse H. Jones Memorial Bridge toll facility from the Texas Turnpike Authority, which was renamed the Sam Houston Ship Channel Bridge. As part of the County's purchase of the Bridge, the County reached agreements with the Texas Department of Transportation for contributions of federal funds for construction of Sam Houston Tollway-East and Sam Houston Tollway-South.

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

The Authority, a division of the County's Public Infrastructure Department, is an Enterprise Fund of the County and relies on charges from users of the toll road system to fund operations, debt service, and future projects. Led by its Executive Director, Art Storey, the Authority is organized under its Director, Gary Stobb, P.E., and operates through multiple divisions that include: Toll Operations, Roadway and Facilities Maintenance, Engineering, Information Technology (includes electronic toll collection systems), Customer Service (includes EZ Tag services), Finance, Legal, Human Resources, Special Projects, Communications, and Incident Management. All construction projects are managed by the Construction Programs Division of the County's Public Infrastructure Department. The Authority currently has approximately 900 employees.

### ***Budget Process***

In accordance with Chapter 111 of the Local Government Code, the County prepares and adopts an annual operating budget which serves as a financial plan for the Authority for the new fiscal year beginning March 1. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the General Fund is at the department level; for other funds budgetary control is implemented at various levels. For example, budgetary control for debt service funds is at the individual bond issue level and budgetary control for special revenue funds is at the fund level. Commissioners Court may transfer available funds between various departments. However, no transfer may increase the total appropriation of a fund. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money or for capital projects through the issuance of bonds. Purchase orders and contracts are not valid until the County Auditor certifies availability of funds for payment of the obligation. Encumbrance accounting is utilized to ensure effective budgetary control and accountability, and unencumbered appropriations lapse at year-end.

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

### ***Local Economy***

Harris County currently enjoys a favorable economic environment. This is primarily attributable to expansion and diversification away from the oil and gas industry subsequent to a recovery from a major recession in 1982 and growth in high technology industries, medical research, health care and professional services. The County's traditional dependence on the energy sector is projected to continue to decrease since economic expansion is also fueled by the County's proximity to the Gulf of Mexico, as well as by the important role the area plays as a major manufacturing, shipping, and tourism center. Substantial structural alteration of the County's economy has reduced its vulnerability to downturns in upstream energy, which nonetheless continues to influence the County far more than it does the nation as a whole. However, the primary factors that will influence the County's economic future are: the health of the national economy,

energy prices, and the value of the dollar against major foreign countries. Although the national economy is expected to be sluggish in the near future, higher oil prices should boost job growth related to exploration, production and oilfield services. The strength of the dollar fell significantly during 2007 in relation to other major currencies, creating some problems for the U.S. economy, but stimulating exports which should benefit the County.

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

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

The Houston Association of Realtors reported a 5.0 percent decline in closings during 2007, and a 26 percent decline in sales of new homes, with the reductions most pronounced at the lower end of the market. The median sales price of a single-family home in January 2008 was \$139,000, down 2.8 percent from January 2007. Although it could take months before the housing market recovers, Harris County's strong job growth and population growth should mitigate the problem locally.

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 ranked first in the U.S. in foreign waterborne commerce, second in total tonnage, and tenth in the world overall. Containerized cargo handled by the Port of Houston in 2007 was 11 percent higher than in 2006 and is projected to increase from 10 to 12 percent annually over the next five years. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a \$387 million bond issue for the construction of a new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly \$1 billion in new business revenues annually.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes a local government that encourages business development, high capacity freeways, major rail lines, three major airports (George Bush Intercontinental, Houston Hobby, and Ellington Field) and telecommunication services that are state of the art. In January 2004, a 7.5-mile light rail line was completed, linking Houston's Central Business District, the Museum District, the Texas Medical Center and Reliant Stadium. In 2003, voters approved a \$640 million bond issue for an additional 22-mile expansion of the light rail system.

Harris County is the nation's third most populous county, ranking behind Los Angeles County and Cook County. The County's population base includes a wide variety of racial and ethnic groups that give a rich diversity and cosmopolitan feel. Among the nation's largest metropolitan areas, the Houston MSA ranked fifth in Hispanic population and tenth in Asian and Pacific Islander population in 2005. No racial or ethnic group constitutes a majority of the population.



Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's two medical schools are the University of Texas Medical School and Baylor College of Medicine. Houston area colleges and universities granted 34,007 bachelor, master, doctoral and professional degrees during the 2006-2007 academic year.

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

The County's financial policies also apply to the Authority. The County continued to enjoy a favorable financial environment during the fiscal year. Some of the County's financial policies are:

- Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum designated fund balance for the general fund and other operating funds will be no less than 15% of fiscal year expenditures;
- Balanced financial operations will be maintained;
- Department heads and business managers are to keep expenditures within allocated budget amounts;
- Full disclosure and open lines of communications will be provided for rating agencies. A goal is sustaining the County's AA+ debt rating with a stable outlook. The bond rating services of Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Fitch IBCA, Inc. have assigned the County long term bond ratings of Aa1, AAA and AA+;
- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund;
- Commercial paper is utilized to take advantage of short-term interest rates during interim financing for voter authorized and other court approved projects rather than initially issuing long-term bonds;
- The County's investment policy has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds. The County's general objectives in investing its funds are: understanding the suitability of the investment to the financial requirements of the County, preservation and safety of principal, liquidity, marketability of the investment, diversification, and yield. The "prudent person" standard has been adopted for managing the portfolio for the County. To ensure safety of public funds, the policy adheres to Chapter 2256 of the Texas Government Code, The Public Funds Investment Act, and the statutory requirements of Local Government Code 116.112.

Authority funds available for investment under the County's investment program as of February 29, 2008 totaled \$866.8 million with investment earnings of \$49 million. The average yield and maturity of such investments were 3.96% and 2,000 days.

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCERS 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 TCERS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2008 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post employment benefits can be found in Notes 9 and 10 of the notes to the financial statements.

### ***Major Initiatives***

The Toll Road Authority has planned expenditures over the next five years of \$5.2 billion. Planned projects include Beltway 8 Tollway East, the Hardy Downtown Connector, and Hempstead Tollway.

### **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

We have audited the accompanying statement of net assets of the Toll Road Authority Enterprise Fund of Harris County, Texas (the "Toll Road Authority") as of February 29, 2008, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County, Texas (the "County"). Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Toll Road Authority as of February 29, 2008, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Management's Discussion and Analysis and the Schedule of Funding Progress – OPEB are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Toll Road Authority's basic financial statements. The other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is also the responsibility of the County's management. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

August 20, 2008

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***

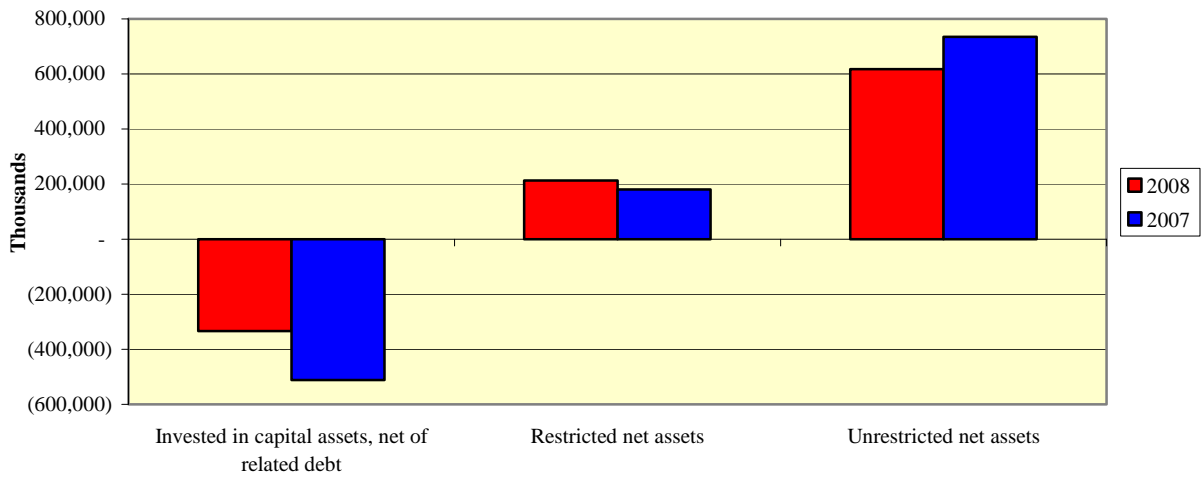
This section of the Toll Road Enterprise Fund of Harris County financial statements presents management's discussion and analysis ("MD&A") of the financial performance of the Harris County Toll Road Authority ("Authority") during the fiscal year ended February 29, 2008.

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

**FINANCIAL HIGHLIGHTS**

- During fiscal year 2008, the Authority issued \$742,655,000 in refunding bonds with related debt service financed through toll revenues. Note 7 to the financial statements provides further details on the new debt issuances.
- In recent years the development of future component facilities has focused on the development of the IH-10 West Toll Lanes. The Texas Department of Transportation ("TxDOT") is reconstructing the transportation facilities currently located in the IH-10 West right-of-way between IH-610 West and SH 6 for a distance of approximately 12 miles. Within that right-of-way the Authority has provided funds to enable TxDOT to build the IH-10 West Toll Lanes as four lanes in the median of IH-10 West highway. A tri-party agreement among the County, TxDOT and the Federal Highway Administration was authorized by Harris County Commissioners Court on December 17, 2002 and made effective as of March 14, 2003. The agreement contained a commitment of up to \$250 million of Authority funds of which the Authority has paid \$237.5 million to TxDOT and committed an additional \$12.5 million in design and construction of tolling elements for the construction of the IH-10 West Toll Lanes, which are expected to be operated and maintained by the Authority.
- Total net assets are comprised of the following:
  - (1) Invested in capital assets, net of related debt, a deficit of \$334,319,087, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net assets increased \$177,354,454 from the previous year.
  - (2) Net assets of \$213,440,208 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets increased by \$33,075,776 from the prior year due to an increase in the debt service reserve.
  - (3) Unrestricted net assets of \$618,163,311 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets decreased \$116,730,723 from the previous year.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***



**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

***Financial Statements*** for the Authority include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. Since the Authority is an enterprise fund, its financial statements are presented with a flow of economic resources measurement focus and use the accrual basis of accounting. Funds are a self-balancing set of accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions, or limitations. The Authority is used to account for the acquisition, operation and maintenance of toll roads within Harris County.

***Notes to the Basic Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found beginning on page 20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The total net assets of the Authority exceeded liabilities at February 29, 2008 by \$497,284,432 and \$403,584,925 for fiscal year ended 2007. Net assets increased primarily due to an increase in Toll Revenues and an increase in capital assets.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***

**Harris County Toll Road Enterprise Fund  
Condensed Statement of Net Assets  
February 29, 2008 and February 28, 2007  
(Amounts in thousands)**

	<b>2008</b>	<b>2007</b>
Current restricted assets	\$ 898,830	\$ 831,728
Capital assets, net	1,772,335	1,533,455
Other non-current assets	54,499	241,305
Total assets	<u>2,725,664</u>	<u>2,606,488</u>
Current liabilities - restricted	129,237	114,132
Non-current liabilities	2,099,143	2,088,771
Total liabilities	<u>2,228,380</u>	<u>2,202,903</u>
Net assets:		
Invested in capital assets, net of related debt	(334,319)	(511,674)
Restricted net assets	213,440	180,365
Unrestricted net assets	618,163	734,894
Total net assets	<u>\$ 497,284</u>	<u>\$ 403,585</u>

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

Another portion of the Authority's current fiscal year net assets reflects its investments in capital assets (e.g.: land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was an increase in related debt of \$11,057,185, a decrease in unspent proceeds of \$50,468,462, while capital assets increased by \$238,880,101, causing an overall increase in capital assets net of related debt of \$177,354,454. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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



***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***

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

<b>Harris County Toll Road Enterprise Fund</b>		
<b>Statement of Activities</b>		
<b>(In Thousands)</b>		
<b>For the Years Ended February 29, 2008 and February 28, 2007</b>		
	<u><b>2008</b></u>	<u><b>2007</b></u>
Revenues:		
Operating revenues:		
Toll revenue	\$ 428,867	\$ 392,993
Intergovernmental revenue	1,286	1,612
Nonoperating Revenues:		
Investment income	49,023	39,391
Lease revenue	488	740
Miscellaneous revenue	4,266	-
Gain on disposal of capital assets	140	11
Total revenues	<u>484,070</u>	<u>434,747</u>
Expenses:		
Operating Expenses:		
Salaries	46,511	33,199
Materials and supplies	11,651	23,707
Services and fees	30,121	39,362
Utilities	3,297	2,895
Transportation and travel	867	690
Depreciation	62,889	59,705
Nonoperating Expenses:		
Interest expense	103,326	103,386
Amortization expense	14,310	13,727
Total expenses	<u>272,972</u>	<u>276,671</u>
Income before contributions and transfers	211,098	158,076
Contributions	3,059	3,113
Transfers in	22	-
Transfers out	<u>(120,480)</u>	<u>(31,112)</u>
Change in net assets	93,699	130,077
Net assets - beginning	403,585	273,508
Net assets - ending	<u>\$ 497,284</u>	<u>\$ 403,585</u>

***Revenues and Contribution***

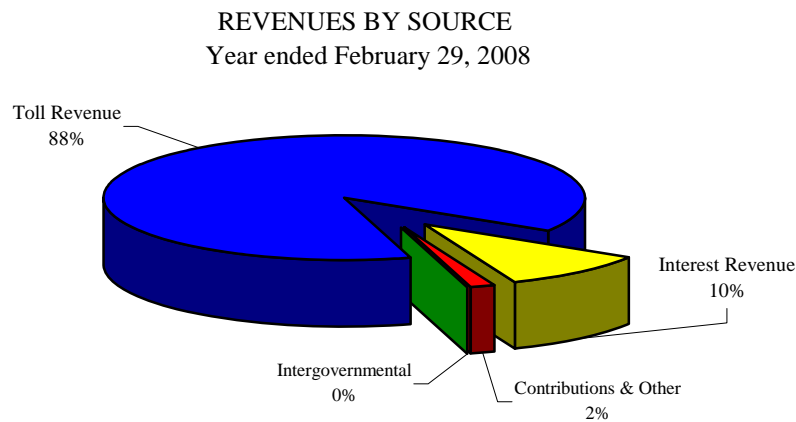
Total revenues and contributions for fiscal year 2008 were \$487,129,967, an increase of \$49,269,448 in revenues and contribution from fiscal year 2007 of \$437,860,519.

The largest revenue source is toll revenue of \$428,867,531 or 88% of total revenues and contributions. This revenue category increased \$35,874,834 from fiscal year 2007. This is primarily due to a toll rate increase that was effective September 3, 2007. In addition, there was an average increase in volume of 9.3% at all toll plazas. The biggest increases were noted at Westpark Tollway up \$8.5 million from 2007 and Sam Houston Tollway - South up \$9.1 million over 2007.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***

Contributions and other revenues totaled \$7,952,854 or 2% of total revenues and contributions. Contributions of \$3,059,437 for fiscal year 2008 decreased \$53,880 compared to fiscal year 2007 contributions of \$3,113,317. Other revenue consists of lease revenue of \$487,579, miscellaneous revenue of \$4,265,987 (primarily expense reimbursements) and gain on disposal of capital assets of \$139,851. Intergovernmental revenue of \$1,286,116 is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2008 totaled \$49,023,466 and comprises 10% of total revenues and contributions. This revenue source increased \$9,632,641 from fiscal year 2007 of \$39,390,825. The increase is attributable to higher interest rates and larger investment balances.



***Expenses***

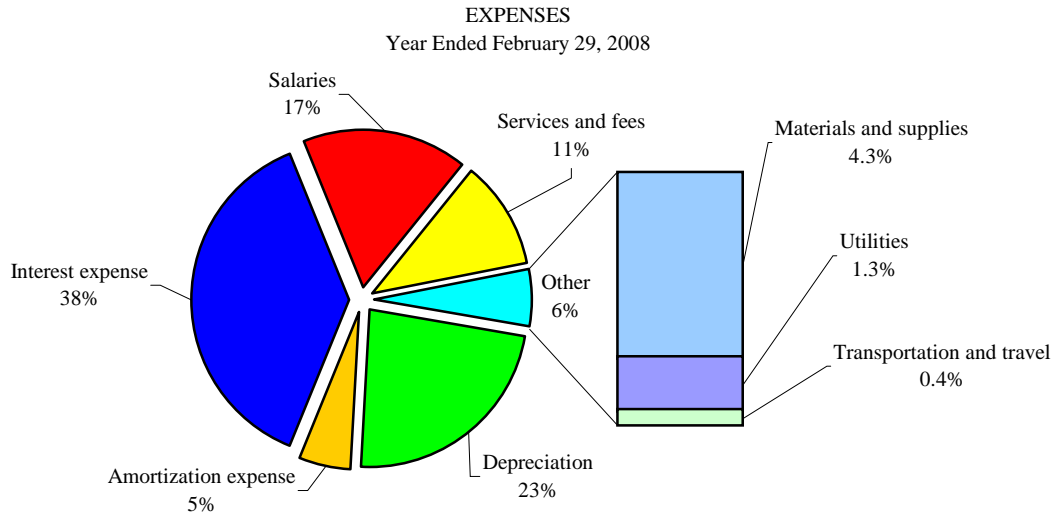
For fiscal year ended February 29, 2008, expenses totaled \$272,971,765, and decreased \$3,699,780 from fiscal year 2007 of \$276,671,545.

Interest expense of \$103,326,312 is the Authority's largest expense category and is 38% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

\$15,814,498 or 6% of total expenses represents other expenses and consists of outlays relative to materials and supplies, utilities, and transportation and travel. This expense category decreased by \$11,478,572 from fiscal year 2007 of \$27,293,070. There was a decrease of \$12,056,511 in materials and supplies, due to in fiscal year 2007 the Authority changed the type of EZ Tag used on the system. The old tags were expensed and a proactive push was done to convert all the account holders to the new tags. In fiscal year 2008, the turnover in inventory was much slower as the initial transition to the new tag type was complete. The remaining difference in the other expense category consists of increases in utilities and transportation and travel expenses.

The remaining 56% of expenses consisted of salaries (17%), services and fees (11%), depreciation (23%) and amortization expense (5%). All of these expense categories are necessary for the operation of the toll road.

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***



***Transfers***

Transfers consisted of transfers in of \$21,169 and transfers out of \$120,480,464. The largest component of transfers out was a \$120 million allocation to fund non-toll County roads that connect or enhance the traffic flow to toll road facilities. The remaining \$480,464 was for payments to the Harris County Radio Operations fund and Harris County Risk Management fund for services provided.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

The Authority's capital assets, net of accumulated depreciation as of February 29, 2008 and February 28, 2007, amounted to \$1,772,335,065 and \$1,533,454,964, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority's capital assets, net of accumulated depreciation increased \$238,880,101 from fiscal year 2007.

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

***Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)***

	<b>Balance February 29, 2008</b>	<b>Balance February 28, 2007</b>
Land	\$ 9,936,262	\$ 375,641
Right-of-way	256,788,317	250,816,776
Intangible assets	237,500,000	-
Construction in progress	191,211,723	156,334,315
System integration in progress	5,751,963	12,501,948
Land improvements	2,741,917	2,187,021
Infrastructure	1,735,963,226	1,729,292,350
Other tangible assets	20,248,222	3,426,750
Buildings	9,595,649	18,224,819
Equipment	14,709,293	10,336,268
	<u>2,484,446,572</u>	<u>2,183,495,888</u>
Less: Accumulated depreciation	(712,111,507)	(650,040,924)
Totals	<u>\$ 1,772,335,065</u>	<u>\$ 1,533,454,964</u>

***Long-term debt***

At the end of the fiscal year, the balance of the Authority's total outstanding debt (bonds, net of deferred amount on refunding) was \$2,168,925,328. Refer to Note 7 to the financial statements for further detail on the Authority's long-term debt.

	<b>Outstanding at February 29, 2008</b>	<b>Outstanding at February 28, 2007</b>
Bonds payable	\$ 2,097,280,792	\$ 2,140,523,389
Commercial paper payable	67,000,000	12,610,000
Compensatory time payable	980,003	842,023
Judgments payable	-	921,162
OPEB obligation	3,664,533	-
Totals	<u>\$ 2,168,925,328</u>	<u>\$ 2,154,896,574</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 Aa1, AAA, and AA+, respectively, for the Unlimited Tax and Subordinate Lien Bonds and Aa3, AA-, and A+, respectively, for the Senior Lien Revenue Bonds.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45), creating accounting standards for OPEB provided by governmental entities separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable required supplementary information (RSI) in the financial reports of state and local governments. See Note 10 to the financial statements for further information on the County's implementation of the requirements of GASB Statement No. 45 during fiscal year 2008.

*Toll Road Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 29, 2008  
(Unaudited)*

**ECONOMIC FACTORS**

- Additional non-toll highways, roads and streets, or improvements and expansions to existing free highways, roads and streets that may be constructed by the County, TxDOT, the City of Houston or other public entities may adversely affect the usage of the toll road. TxDOT continues to improve and expand IH-45 and US 59. In particular, IH-45 offers free highway competition to the Hardy Toll Road. Improvements over the past few years to IH-45 from its interchange with the Sam Houston Tollway-West/North Section/Sam Houston Parkway to FM 1960 have enhanced mobility along that segment of the highway.
- Metro, a regional transit authority, currently operates an extensive bus fleet serving Harris County and all of the City of Houston. Metro offers "park-and-ride" services, which include free automobile parking at suburban Metro lots and bus service to and from Houston's central business district in competition with the Hardy Toll Road. Metro's "park-and-ride" service from its most distant lot near the intersection of IH-45 and FM 1960 to downtown Houston, utilizing IH-45's free "authorized vehicle lane", competes for a portion of the traffic that could otherwise be expected to utilize the Hardy Toll Road.

**REQUEST FOR INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF NET ASSETS**  
**FEBRUARY 29, 2008**

**ASSETS**

Current restricted assets:	
Cash and cash equivalents	\$ 187,570,714
Investments	691,361,954
Receivables, net	194,500
Accrued interest receivable	3,995,744
Other receivables, net	10,118,736
Due from primary government	1,522,443
Inventories	1,206,593
Prepays and other assets	2,859,783
Total current restricted assets	<u>898,830,467</u>
Non-current assets:	
Advances to primary government	26,983,900
Lease receivable	3,664,035
Notes receivable	1,517,073
Capital Assets:	
Land and construction in progress	463,688,265
Intangible	237,500,000
Other capital assets, net of depreciation	1,071,146,800
Deferred charges, net of amortization	22,334,294
Total non-current assets	<u>1,826,834,367</u>
Total assets	<u>2,725,664,834</u>

**LIABILITIES**

Current liabilities - payable from restricted assets:	
Vouchers payable	18,393,560
Accrued payroll and compensated absences	3,825,770
Retainage payable	2,436,133
Customer deposits	2,875,067
Due to primary government	3,796,906
Due to other units	1,108,278
Deferred revenue	27,695,562
Current portion of long-term liabilities	69,105,565
Total current liabilities	<u>129,236,841</u>
Non-current liabilities:	
Bonds payable	2,028,175,227
Commercial paper payable	67,000,000
Compensatory time payable	303,801
OPEB obligation	3,664,533
Total non-current liabilities	<u>2,099,143,561</u>
Total liabilities	<u>2,228,380,402</u>

**NET ASSETS**

Invested in capital assets, net of related debt	(334,319,087)
Restricted for capital projects	48,599,742
Restricted for debt service	164,840,466
Unrestricted	618,163,311
Total net assets	<u>\$ 497,284,432</u>

*See notes to financial statements.*

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

<b>OPERATING REVENUE</b>	
Toll revenue	\$ 428,867,531
Intergovernmental	1,286,116
Total operating revenue	<u>430,153,647</u>
<b>OPERATING EXPENSES</b>	
Salaries	46,510,889
Materials and supplies	11,650,933
Services and fees	30,121,112
Utilities	3,296,602
Transportation and travel	866,963
Depreciation	62,889,174
Total operating expenses	<u>155,335,673</u>
Operating income	<u>274,817,974</u>
<b>NONOPERATING REVENUES</b>	
Investment income	49,023,466
Lease income	487,579
Miscellaneous income	4,265,987
Gain on disposal of capital assets	139,851
Total nonoperating revenues	<u>53,916,883</u>
<b>NONOPERATING EXPENSES</b>	
Interest expense	103,326,312
Amortization expense	14,309,780
Total nonoperating expenses	<u>117,636,092</u>
Income before contributions and transfers	211,098,765
Contributions	3,059,437
Transfers in	21,769
Transfers out	<u>(120,480,464)</u>
Change in net assets	93,699,507
Net assets, beginning of year	403,584,925
Net assets, end of year	<u>\$ 497,284,432</u>

*See notes to financial statements.*



**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from toll	\$ 429,308,442
Payments to employees	(42,033,908)
Payments to vendors	(43,508,111)
Net cash provided by operating activities	<u>343,766,423</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Receipts from miscellaneous reimbursements	4,265,987
Internal activity - net receipts from other funds	2,113,296
Transfers to other funds	(120,458,695)
Net cash used for noncapital financing activities	<u>(114,079,412)</u>

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

Receipts from lease of capital assets	487,579
Purchases of capital assets	(56,951,478)
Proceeds from sale of capital assets	326,962
Purchases of intangible assets	(50,000,000)
Principal and escrow paid on capital debt	(810,675,000)
Interest paid on capital debt	(99,036,174)
Proceeds from capital debt	828,447,525
Bond issuance cost	(3,577,023)
Net cash used for capital and related financing activities	<u>(190,977,609)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Internal receipt from other funds	7,121
Purchase of investments	(1,689,823,369)
Proceeds from sale and maturity of investments	1,652,145,037
Interest received	51,949,875
Net cash provided by investing activities	<u>14,278,664</u>
Net change in cash and cash equivalents	52,988,066
Cash and cash equivalents, beginning	<u>134,582,648</u>
Cash and cash equivalents, ending	<u><u>\$ 187,570,714</u></u>

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

Operating income	\$ 274,817,974
Adjustments to operations:	
Depreciation	62,889,174
Changes in assets and liabilities:	
Receivables, net	(3,855,109)
Notes and leases receivable	(946,229)
Prepays and other assets	(1,917,932)
Inventories	1,163,528
Vouchers payable and accrued liabilities	5,901,532
Retainage payable	(55,055)
Due to other units	61,684
Other liabilities	1,758,471
Deferred revenue	3,956,133
Compensatory time payable	(7,748)
Net cash provided by operating activities	<u><u>\$ 343,766,423</u></u>

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

Capital contribution received from other governments	\$ 3,059,437
Increase in the fair market value of investments	9,682,720

*See notes to financial statements.*

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Implementation of New Standards** - In the current year, the Authority implemented the following standards:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (“GASB 45”), establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Implementation of GASB 45 is reflected in the statements and note disclosure (Note 10).

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (“GASB 48”), establishes criteria that governments will use to record and report sales of future revenues and specific receivables. Implementation of GASB 48 did not have an impact on the Authorities’ reporting disclosures.

**Basis of Presentation and Measurement Focus**- The accompanying basic financial statements have been prepared on the full accrual basis of accounting as prescribed by the GASB. Full accrual accounting uses a flow of economic resources measurement focus. Under this measurement focus, the Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority presents its financial statements in accordance with GASB 34 guidance for governments engaged in business-type activities. Accordingly, the basic financial statements of the Authority consist of Management’s Discussion and Analysis (“MD&A”), Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets, Statement of Cash Flows, and Notes to the Financial Statements.

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

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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

***Deposits and Investments*** – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of 90 days or less from date of purchase. All investments are recorded at fair value based upon quoted market prices as of the Authority's fiscal year end, with the difference between the purchase price and market price being recorded as investment income.

***Restricted Assets*** – Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended February 29, 2008, the Authority was in compliance with these covenants.

In the financial statements, restricted net assets are reported for amounts that are externally restricted by 1) creditors (eg. bond covenants), grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provision or enabling legislation.

***Inventories*** – EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 29, 2008 multiplied by the price per tag type.

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

Capital assets of the Authority are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: all land is capitalized, regardless of historical cost; the threshold for capitalizing buildings is \$100,000 and the threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the asset.

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

The Authority capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. All interest expense, interest earnings and the amortization of related bond costs were capitalized until September 1987 when the first of four sections of the Toll Road were opened for operations. Prior to fiscal year 2001, net interest and other bond costs have been capitalized based on the percentage of miles of the uncompleted sections to the total miles of the project. Since fiscal year 2001, interest had been capitalized based on the weighted average accumulated expenses multiplied by the weighted average interest rate. Such capitalization increased the total cost of assets constructed by the Toll Road Project by \$710,624 during fiscal year 2008.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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

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

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

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

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

The County has excess insurance coverage for workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 29, 2008 was \$850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

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

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

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

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

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 480 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

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

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

*Bond Refunding Losses* - The difference between the reacquisition price and the net carrying amount of refunded debt is deferred and amortized in a manner that is systematic and rational over the remaining life of the old or new debt, whichever is shorter.

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

## **2. DEPOSITS AND INVESTMENTS**

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of \$100,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 29, 2008, the carrying amount of the Authority's demand and time deposits was \$8,804,053 and the balance per various financial institutions was \$14,675. The Authority's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the County or its agent in the County's name, in accordance with the Public Funds Collateral Act.

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

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

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

*AUTHORIZED INVESTMENTS*

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

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

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value. The following is a summary of cash and investments held by the Authority at February 29, 2008.

	<b>Totals</b>
Cash and Cash Equivalents	\$187,570,714
Investments	691,361,954
<b>Total Cash &amp; Investments</b>	<b>878,932,668</b>

The table below indicates the fair value and maturity value of the Authority's investments as of February 29, 2008, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in days for each summarized security type.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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	\$ 109,106,796	12.53%	\$ 107,430,000	0.1783	AAA/Aaa
FHLB	251,225,432	28.87%	247,725,000	0.3769	AAA/Aaa
FHLMC	118,126,113	13.58%	117,035,000	0.2611	AAA/Aaa
FNMA	118,750,287	13.65%	118,000,000	0.2391	AAA/Aaa
<i>Commercial Paper</i>					
AGFC	63,942,692	7.35%	65,000,000	0.0409	A-1/P-1
AIG	35,081,538	4.03%	35,100,000	0.0009	A-1+/P-1
AMEX	5,991,661	0.69%	6,000,000	0.0003	A-1/P-1
GECC	50,987,335	5.86%	51,000,000	0.0007	A-1+/P-1
TMCC	42,298,147	4.86%	42,750,000	0.0179	A-1+/P-1
<i>Local Governments</i>					
College Station, TX	993,465	0.11%	1,115,000	0.0128	AAA/Aaa
Dallas TX WTR	3,197,317	0.37%	3,315,000	0.0343	AAA/Aaa
Ellis Cnty TX	2,416,580	0.28%	2,640,000	0.0302	AAA/Aaa
Frisco Tex GO	4,949,895	0.57%	5,165,000	0.0501	AAA/Aaa
Gainesville, FL	5,867,531	0.67%	5,900,000	0.0229	AAA/Aaa
Galveston Cnty, TX	2,553,000	0.29%	2,775,000	0.0318	AAA/Aaa
Grayson Cnty, TX	2,720,800	0.31%	3,040,000	0.0330	AAA/Aaa
Harris Cnty, TX	6,951,110	0.80%	7,370,000	0.0831	AAA/Aaa
Indianapolis	2,923,800	0.34%	2,865,000	0.0029	AAA/Aaa
Lewisville, TX	1,149,050	0.13%	1,225,000	0.0138	AAA/Aaa
New York St University	3,101,283	0.36%	3,070,000	0.0097	AAA/Aaa
Ohio St GO, BD	5,122,366	0.59%	5,050,000	0.0040	AAA/Aaa
Pearland, Texas	981,475	0.11%	1,075,000	0.0123	AAA/Aaa
San Marcos, TX	1,359,300	0.16%	1,500,000	0.0164	AAA/Aaa
Travis Cnty, TX	1,393,630	0.16%	1,505,000	0.0182	AAA/Aaa
Weatherford, TX	2,696,745	0.31%	2,825,000	0.0276	AAA/Aaa
Williamson, CO	2,501,636	0.29%	2,665,000	0.0294	AAA/Aaa
<i>Money Market Funds</i>					
Fidelity Instl Treasury	15,710,318	1.81%	15,710,318	N/A	AAAm/Aaa
Fidelity Institutional-Tax Exempt	8,029,313	0.92%	8,029,313	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	<u>870,128,615</u>	<u>100.00%</u>	<u>\$ 866,879,631</u>	<u>1.5486</u>	
<i>Demand and Time Deposits</i>	8,804,053				
<b>Total Cash &amp; Investments</b>	<u><u>\$ 878,932,668</u></u>				

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

*RISK DISCLOSURES*

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

According to the County investment policy, no more than 25% of the portfolio, excluding those investments held for future capital expenditures, debt service payments, bond fund reserve accounts and capitalized interest funds, may be invested beyond 24 months. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed two years. As of February 29, 2008, the Authority was in compliance with all of these guidelines to manage interest rate risk.

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

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 29, 2008, all of the Authority's investments are held in the County's name.

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

*FUND INVESTMENT CONSIDERATIONS*

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the Harris County financial statements. The two investment strategies employed by Harris County are the Matching Approach and the Barbell Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. Additionally, the



**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

Investment Policy specifies average investment durations for each fund type. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Toll Road Project Funds	Matching	1,080	\$ 504,314,000	404
Toll Road Debt Service	Matching	1,080	120,235,000	155
Toll Road Renewal/Replacement	Matching	1,800	148,376,000	862
Toll Road Bond Reserve	Matching	Maturity of the bonds	36,215,000	5,655
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	34,000,000	1,219
Money Market Mutual Funds	N/A	N/A	23,739,631	N/A
			<u>\$ 866,879,631</u>	

**3. OTHER RECEIVABLES**

Other receivables as of February 29, 2008 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$10,118,736 is reported net of allowance for doubtful accounts of \$36,569,516. The Authority has an agreement with Linbarger, Goggan, Blair & Sampson, L.L.P. to provide collection services in the place of the county attorney. The fee per invoice is \$42.00 and is included in the receivables balance.

Proprietary funds report deferred revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Authority reported \$27,695,562 in deferred revenues for unearned EZ tag revenues.

**4. NOTES RECEIVABLE**

Notes receivable as of February 29, 2008 are comprised of the following:

	Outstanding March 1, 2007	Issued	Receipts	Outstanding February 29, 2008
Sam Houston Race Park	\$ 136,463	\$ -	\$ (7,581)	\$ 128,882
Uptown Houston	1,738,191	-	(350,000)	1,388,191
Notes receivable	<u>\$ 1,874,654</u>	<u>\$ -</u>	<u>\$ (357,581)</u>	<u>\$ 1,517,073</u>

**5. PREPAIDS AND OTHER ASSETS**

Other assets as of February 29, 2008 are comprised of the following:

Prepaid surety expense	\$ 599,632
Prepaid office expenses	191,976
Advance funding for Beltway 8 project	2,068,175
Total	<u>\$ 2,859,783</u>

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

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

**6. CAPITAL ASSETS**

Capital asset activity for the year ended February 29, 2008 was as follows:

	Balance March 1, 2007	Additions	Deletions	Transfers	Balance February 29, 2008
Land	\$ 375,641	\$ 456,950	\$ -	\$ 9,103,671	\$ 9,936,262
Right of way	250,816,776	5,699,909	(345,000)	616,632	256,788,317
Intangible Assets	-	237,500,000	-	-	237,500,000
Construction in progress	156,334,315	48,681,651	(921,162)	(12,883,081)	191,211,723
System Integration in progress	12,501,948	8,146,493	-	(14,896,478)	5,751,963
Total capital assets not depreciated	<u>420,028,680</u>	<u>300,485,003</u>	<u>(1,266,162)</u>	<u>(18,059,256)</u>	<u>701,188,265</u>
Land improvements	2,187,021	-	-	554,896	2,741,917
Infrastructure	1,729,292,350	-	-	6,670,876	1,735,963,226
Other tangible assets	3,426,750	9,880	-	16,811,592	20,248,222
Buildings	18,224,819	-	-	(8,629,170)	9,595,649
Equipment	10,336,268	2,649,112	(365,763)	2,089,676	14,709,293
	<u>1,763,467,208</u>	<u>2,658,992</u>	<u>(365,763)</u>	<u>17,497,870</u>	<u>1,783,258,307</u>
Less accumulated depreciation for:					
Land improvements	(170,932)	(109,351)	-	-	(280,283)
Infrastructure	(638,396,850)	(58,035,712)	-	-	(696,432,562)
Other tangible assets	(1,116,314)	(2,793,330)	-	-	(3,909,644)
Buildings	(2,453,038)	(183,640)	-	587,456	(2,049,222)
Equipment	(7,903,790)	(1,767,141)	243,950	(12,815)	(9,439,796)
	<u>(650,040,924)</u>	<u>(62,889,174)</u>	<u>243,950</u>	<u>574,641</u>	<u>(712,111,507)</u>
Total capital assets being depreciated, net	<u>1,113,426,284</u>	<u>(60,230,182)</u>	<u>(121,813)</u>	<u>18,072,511</u>	<u>1,071,146,800</u>
Total capital assets, net	<u>\$ 1,533,454,964</u>	<u>\$ 240,254,821</u>	<u>\$ (1,387,975)</u>	<u>\$ 13,255</u>	<u>\$ 1,772,335,065</u>

The \$13,255 balance in the transfers column, is due to assets that were transferred to Harris County funds.

**Intangible Assets**

On December 17, 2002, the Commissioners Court authorized a tri-party agreement among Harris County (acting through the Harris County Toll Road Authority), Texas Department of Transportation and Federal Highway Administration to participate in the reconstruction of IH10 Katy Freeway. Under this agreement, the Authority funded \$237.5 million for the license to the real property within the limits of and for the right to operate the Toll Facility; plus, committed an additional \$12.5 million for design, construction, operation and maintenance of a Toll Facility. Toll Revenues from the operation of the Toll Facility will be collected by the Authority until the County is paid in full. Amortization of this amount will begin when the project is completed and operations begin (expected October, 2008). The amortization will be based on revenues received. The Toll Facility will revert to the State when the County has been fully paid the reimbursement from revenue or upon payment by the State to the County of an amount equal to the difference between the total amount of the reimbursement and the actual amount paid to the County as of the date of such reversion. The Toll Facility may revert to the State at any time after such full payment, subject to the State giving the County 90 days' prior written notice.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

**7. LONG-TERM DEBT**

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

Changes in the Authority's Long-Term Debt for fiscal year 2007-2008 were as follows:

	<b>Outstanding March 1, 2007</b>	<b>Issued/ Increased</b>	<b>Paid/ Decreased</b>	<b>Outstanding February 29, 2008</b>	<b>Due Within One Year</b>
Senior Lien Revenue Bonds	\$ 1,409,315,000	\$ 420,910,000	\$ (428,935,000)	\$ 1,401,290,000	\$ 26,460,000
Tax Bonds	704,498,892	321,745,000	(349,078,227)	677,165,665	10,675,665
Total Bond Principal	2,113,813,892	742,655,000	(778,013,227)	2,078,455,665	37,135,665
Unamortized Discount, Rev. Series 1997	(1,290,564)	-	1,290,564	-	-
Unamortized Premium, Rev. Series 2002	5,554,459	-	(3,817,059)	1,737,400	-
Unamortized Premium, Rev. Series 2004A	5,894,523	-	(159,316)	5,735,207	-
Unamortized Premium, Rev. Series 2004B	30,106,037	-	(3,689,128)	26,416,909	-
Unamortized Premium/Disc., Rev. Series 2005A	8,418,346	-	(8,623,065)	(204,719)	-
Unamortized Premium, Rev. Series 2006A	1,432,025	-	(72,575)	1,359,450	-
Unamortized Premium, Rev. Series 2007A	-	10,050,333	(510,768)	9,539,565	-
Unamortized Premium, Tax Series 1991	2,981,066	-	(2,260,743)	720,323	-
Unamortized Premium, Tax Series 1992A	1,025,236	-	(768,916)	256,320	-
Unamortized Premium, Tax Series 1992B	325,530	-	(240,584)	84,946	-
Unamortized Premium, Tax Series 1994A	1,573,561	-	(378,045)	1,195,516	-
Unamortized Premium, Tax Series 1995A	17,205,226	-	(2,613,009)	14,592,217	-
Unamortized Premium, Tax Series 1997	2,493,112	-	1,235,550	3,728,662	-
Unamortized Premium, Tax Series 2001	995,939	-	(196,225)	799,714	-
Unamortized Premium, Tax Series 2002	1,710,232	-	(206,643)	1,503,589	-
Unamortized Discount, Tax Series 2003	(2,789,627)	-	2,681,154	(108,473)	-
Unamortized Premium, Tax Series 2007C	-	25,453,252	(716,335)	24,736,917	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1991	28,770,469	3,208,897	(15,985,000)	15,994,366	15,994,366
Unlimited Tax Series 1992A and 1992B	18,943,175	2,176,518	(10,992,297)	10,127,396	10,127,396
Unlimited Tax Series 1994A	4,270,855	223,621	(4,494,476)	-	-
Unlimited Tax Series 1995A	12,733,344	4,469,123	-	17,202,467	-
Unlimited Tax Series 1997	5,860,169	1,352,036	(1,190,000)	6,022,205	1,073,518
Deferred Amount on Refunding	(124,918,796)	(15,459,541)	12,988,867	(127,389,470)	-
Accrued Interest Payable	5,415,180	96,384,285	(97,024,845)	4,774,620	4,774,620
Total Bonds Payable	2,140,523,389	870,513,524	(913,756,121)	2,097,280,792	69,105,565
Commercial Paper Payable	12,610,000	54,390,000	-	67,000,000	-
Compensatory Time Payable	842,023	668,454	(530,474)	980,003	676,202
Judgments Payable	921,162	-	(921,162)	-	-
OPEB Obligation	-	3,664,533	-	3,664,533	-
Totals - Toll Road Fund Debt	<u>\$ 2,154,896,574</u>	<u>\$ 929,236,511</u>	<u>\$ (915,207,757)</u>	<u>\$ 2,168,925,328</u>	<u>\$ 69,781,767</u>

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

**A. Outstanding Bonded Debt – February 29, 2008 – 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 29, 2008</u>
<b><u>Senior Lien Revenue Bonds</u></b>					
Refunding Series 2002	\$ 397,520,000	5.00-5.375	2002	2003-2032	\$ 224,175,000
Refunding Series 2004A	168,715,000	4.50-5.00	2004	2022-2034	168,715,000
Refunding Series 2004B	478,270,000	2.50-5.00	2004	2005-2022	429,220,000
Refunding Series 2005A	207,765,000	4.50-5.25	2005	2026-2035	22,740,000
Refunding Series 2006A	135,530,000	4.50-5.00	2006	2006-2036	135,530,000
Refunding Series 2007A	275,340,000	4.00-5.00	2007	2008-2033	275,340,000
Refunding Series 2007B	145,570,000	Floating	2007	2034-2035	145,570,000
Total Principal Senior Lien Revenue Bonds					1,401,290,000
Unamortized Premiums and Discounts					44,583,812
Total Senior Lien Revenue Bonds					<u>\$ 1,445,873,812</u>
<b><u>Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)</u></b>					
Refunding Series 1991 - CAB	\$ 6,095,000	6.95-7.25	1991	2001-2008	\$ 760,000
Refunding Series 1992A - CAB	13,820,000	5.80-6.80	1992	1997-2008	1,250,000
Refunding Series 1992B - CAB	3,100,000	5.80-6.80	1992	1997-2008	200,665
Refunding Series 1994 A	59,925,000	6.50-8.00	1994	2008-2024	59,925,000
Refunding Series 1995 A - CAB	1,500,000	5.80-6.05	1995	2002-2012	500,000
Refunding Series 1997	150,395,000	5.00-5.125	1997	2014-2024	26,005,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	900,000
Refunding Series 2001	120,740,000	6.00	2001	2009-2014	120,740,000
Refunding Series 2002	42,260,000	4.00-5.25	2002	2009-2015	42,260,000
Refunding Series 2003	321,500,000	3.50-5.00	2003	2009-2033	102,880,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	321,745,000
Total Tax Bonds					677,165,665
Unamortized Premiums and Discounts					47,509,731
Accretion of Discount - Capital Appreciation Bonds					49,346,434
Total Tax Bonds					<u>\$ 774,021,830</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 of February 29, 2008.

**C. Debt Service Requirements**

Total interest expense was \$103,326,312 for the fiscal year. The following are the debt service requirements for bonds payable:

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Fiscal Year	Principal 2/29/2008	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2009	\$ 37,135,665	\$ 27,195,280	\$ 64,330,945	\$ 130,629,678	\$ 194,960,623
2010	69,660,000	7,250,165	76,910,165	109,842,350	186,752,515
2011	77,745,000	5,647,471	83,392,471	105,520,215	188,912,686
2012	82,110,000	4,441,662	86,551,662	101,123,815	187,675,477
2013	87,800,000	3,657,323	91,457,323	96,546,347	188,003,670
2014-2018	468,150,000	1,154,533	469,304,533	360,340,412	829,644,945
2019-2023	400,545,000	-	400,545,000	251,892,827	652,437,827
2024-2028	263,435,000	-	263,435,000	174,561,725	437,996,725
2029-2033	331,255,000	-	331,255,000	102,345,641	433,600,641
2034-2037	260,620,000	-	260,620,000	18,938,574	279,558,574
Total	<u>\$ 2,078,455,665</u>	<u>\$ 49,346,434</u>	<u>\$ 2,127,802,099</u>	<u>\$ 1,451,741,584</u>	<u>\$ 3,579,543,683</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 29, 2008, the unissued authorized bonds for the toll road project are \$17,673,000.

**E. Defeasance of Debt**

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 29, 2008, the outstanding principal balance of these defeased bonds was \$2,165,404,000.

**F. Debt Issuances**

On June 14, 2007, the County issued \$275,340,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2007A and \$145,570,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B (LIBOR-Index Floating Rate) to refund and defease a portion of the County's outstanding Toll Road Revenue Refunding Bonds, Series 1997, Toll Road Revenue and Refunding Bonds, Series 2002 and Toll Road Revenue and Refunding Bonds, Series 2005A, to purchase bond insurance policies for the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.0%. The issuance had a premium of \$10,050,333. Interest accrues semiannually and the bonds mature in fiscal year 2035. The refund resulted in a decrease in cash flow requirements of \$22,168,628 and had an economic gain of \$14,633,560.

On August 16, 2007, the County issued \$321,745,000 Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2007C to refund and defease a portion of the County's outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1997 and Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2003, to purchase bond insurance policies for the bonds and to pay costs of such issuance. The annual interest rates range from 5.0% to 5.25%. The issuance had a premium of \$25,453,252. Interest accrues semiannually and the bonds mature in fiscal year 2033. The refund resulted in a decrease in cash flow requirements of \$23,775,467 and had an economic gain of \$13,717,655.

**G. Commercial Paper**

In addition to the outstanding long-term debt of the Toll Road Authority ("Toll Road"), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Notes") in an aggregate principal amount not to exceed \$200

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

million outstanding at any one time. As of February 29, 2008, the Toll Road has \$67,000,000 outstanding commercial paper.

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

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

The Toll Road entered into a Revolving Credit Agreement as of October 1, 2001 with Dexia Credit Local, whereby Dexia has agreed to advance up to \$200 million to the Toll Road to pay the principal of any or all maturing Series E Notes as necessary for a period through October 24, 2008, which is the date of expiration. For this agreement, the County will be assessed a fee of .09% per annum on the aggregate amount of the commitment. The Lender agrees that it will on the first to occur of the Revolving Credit Maturity Date or the 181<sup>st</sup> day following the date on which any Revolving Credit Loan is made, on the terms and conditions set forth in the Agreement, make a term loan to the County in an amount equal to the outstanding unpaid principal balance of the Lender's Loan Note. The principal amount outstanding for Series E shall be paid in six equal semi-annual installments commencing on the date which is the first business day after the one hundred eightieth day following the day on which such term loan was made so that the term loan is repaid in full after three years from the date the term loan is made. Interest is payable monthly during the Term Loan Period at a rate equal to the base rate (which is the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus one-half of one percent) plus two percent per annum.

The following is the expected debt service requirements for the Commercial Paper issuance. These requirements assume that as of February 29, 2008 the Authority had drawn down the outstanding principal balance on the line of credit and subsequently executed term loans with the bank for a principal balance of \$67,000,000 at the average rate for the quarter ending February 29, 2008 and reflect the effects of any refundings:

<u>Fiscal year</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ 3,340,847	\$ 3,340,847
2010	11,166,667	9,473,361	20,640,028
2011	22,333,333	6,420,833	28,754,166
2012	22,333,334	3,070,833	25,404,167
2013	11,166,666	279,167	11,445,833
	<u>\$ 67,000,000</u>	<u>\$ 22,585,041</u>	<u>\$ 89,585,041</u>

**H. Interest Rate Swap**

The County entered an Interest Rate Swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2004B-2 (Trade Date: November 28, 2006; Effective Date: August 15, 2009; Termination Date: August 15, 2019). The County entered an Interest Rate Swap with Citibank, N.A., New York, Relating to the Senior Lien Revenue Refunding Bonds, Series 2007B (Trade Date: May 22, 2007; Effective Date: June 14, 2007; Termination Date: February 15, 2035). The County entered an Interest Rate Swap with JPMorgan Chase Bank, National Association, Relating to the Senior Lien

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

Revenue Refunding Bonds, Series 2007B (Trade Date: May 22, 2007; Effective Date: June 14, 2007; Termination Date: February 15, 2035).

Objective of the Interest Rate Swaps:

The purpose of the swaps was to create a fixed cost of funds on certain maturities of the Related Bonds that is lower than the fixed cost achievable in the cash bond market.

Terms:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	\$199,915,000	\$72,785,000	\$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 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
Fair Value as of 2/29/08:	(\$5,562,171)	(\$6,337,828)	(\$6,337,828)
(a) The notional amount for the swaps amortizes to match the outstanding bond.			

Fair Value:

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

Risks:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk as of 2/29/08	Minimal.	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	Aa1, AA, and AA-	Aa1, AA, and AA-	Aaa, AA, and AA-
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is \$5,562,171, which is based on a fair market value calculation.	The exposure to the County is \$6,337,828, which is based on a fair market value calculation.	The exposure to the County is \$6,337,828, which is based on a fair market value calculation.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

**H. Subsequent Debt Issuance**

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

**8. COMPENSATED ABSENCES PAYABLE**

Changes in long-term compensated absences for the year ended February 29, 2008 were as follows:

<u>Balance</u> <u>March 1, 2007</u>	<u>Earned</u>	<u>Taken/ Paid</u>	<u>Balance</u> <u>February 29, 2008</u>	<u>Due Within</u> <u>One Year</u>
\$ 842,023	\$ 668,454	\$ (530,474)	\$ 980,003	\$ 676,202

**9. RETIREMENT PLAN**

*Plan Description* - The County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional, defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 574 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar-year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS since 1991, the County has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2008 is 9.64%. The contribution rates for calendar years 2007 and 2006 were 10.43% and 9.81%, respectively.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioner's Court of the County within the actuarial constraints imposed by the TCDRS Act so



**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

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 10.43% for the months of the calendar year in 2007, and 9.64% for the months of the calendar year in 2008.

The contribution rate payable by the employee members for 2007 and 2006 is the rate of 7% as adopted by Commissioner's Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner's Court within the options available in the TCDRS Act.

**Annual Pension Cost** - For the County's fiscal year ended February 29, 2008, the annual pension cost for the TCDRS plan for its employees, including the Authority, was \$75,944,968 and the actual contributions for the Authority were \$3,133,955. (This excludes actuarial contributions of \$3,155,520 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, 2006 and December 31, 2007, the basis for determining the contribution rates for calendar years 2007 and 2008. The December 31, 2007 report is the most recent valuation.

<b>Actuarial Valuation Method</b>			
Actuarial Valuation Date	12/31/05	12/31/06	12/31/07
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, open	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	15	15
Asset Valuation Method	Long-term appreciation with adjustments	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.5 %	5.3 %	5.3 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

<b>Harris County Trend Information</b>			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/29/08	\$ 75,944,968	100%	-
2/28/07	\$ 65,922,424	100%	-
2/28/06	\$ 60,990,625	100%	-

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

<b>Schedule of Funding (including Community Supervision)</b>			
Actuarial Valuation Date	12/31/05 (2)	12/31/06	12/31/07
Actuarial Value of Assets	\$1,950,248,224	\$2,184,433,915	\$2,375,906,657
Actuarial Accrued Liability (AAL)	\$2,161,164,457	\$2,322,483,635	\$2,521,078,602
Unfunded Actuarial Accrued Liability (UAAL)	\$ 210,916,233	\$ 138,049,720	\$ 145,171,945
Funded Ratio	90.24%	94.06%	94.24%
Annual Covered Payroll (Actuarial)	\$ 631,353,087	\$ 682,345,135	\$ 755,852,867
UAAL as Percentage of Covered Payroll	33.41%	20.23%	19.21%
<small>(2) Funding information differs from prior year compliance data due to plan changes effective 1/1/2007</small>			

**10. OTHER POST EMPLOYMENT BENEFITS**

**THE PLAN:**

Plan Description

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

Membership in the plan at March 1, 2007, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,000
Active plan members	14,226
Number of participating employers	5

Summary of Significant Accounting Policies

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

*Method Used to Value Investments.* Investments are reported at fair value, which is based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, with the difference between the purchase price and market price being recorded as earnings on investments.

Contributions

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

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

Retired Prior to March 1, 2002:

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

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

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

Eligible to Retire March 1, 2011 or After:

Combination of age plus a minimum of 10 years of service equal to 80 or at least age 65 with a minimum of 10 years of service to receive 100% County contributions for retiree coverage and 50% for dependent coverage. Retirees under age 65 and whose age plus years of service is less than 80 will be required to pay an additional contribution as determined by Commissioners Court.

Employees Hired on or After March 1, 2007:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 29, 2008, plan members or beneficiaries receiving benefits contributed \$3.9 million, or approximately 17 percent of total premiums. Participating employers contributed \$19.6 million. The total contributions for the year ended February 29, 2008 was \$23.5 million. Administrative costs are provided for through the annual rate calculation.

**THE EMPLOYER:**

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45), creating accounting standards for OPEB provided by governmental entities separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED FEBRUARY 29, 2008**

OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable required supplementary information (RSI) in the financial reports of state and local governments. Under the provisions of the Plan discussed previously, the County implemented the requirements of GASB Statement No. 45 during fiscal year 2008.

Annual OPEB Cost

For 2008, the County's annual OPEB cost (expense) of \$97,628,162 (including Toll Road of \$4,115,841) for the post employment healthcare plan was equal to the annual required contributions (ARC). The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2/29/2008	\$ 97,628,162	28%	\$ 70,209,408

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 annual OPEB costs for Emergency 911 and Community Supervision are \$170,119 and \$1,312,589 respectively and the net OPEB obligation for Emergency 911 is \$142,209. There is no net OPEB obligation for Community Supervision. Toll Road's portion of the net OPEB obligation above is \$3,664,533.

*Funded Status and Funding Progress.* The funded status of the plan as of February 28, 2007 was as follows:

	All Participants	Toll Road Portion
Unfunded actuarial accrued liability (UAAL)	\$ 852,350,950	\$ 23,508,770
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 698,535,669	\$ 31,598,861
UAAL as percentage of covered payroll	122%	74%

The "All Participants" column in the above table includes UAAL of \$1,317,537 for Emergency 911 and UAAL of \$19,615,199 for Community Supervision.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2007, actuarial valuation, a 5.25% discount rate was used. The medical trend rates of 10% for 2007, and 9% for 2008 graded down to an ultimate rate of 5% by 2012 per the actuary's best estimate of expected long-term plan experience.

The actuarial cost method used in valuing the County's liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years.

Additional Disclosures

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

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

GASB 45 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.

The County implemented GASB 45 during fiscal year 2008. Accordingly, 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 has made a commitment or is legally obligated to provide OPEB benefits.

**11. COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of \$111,327,929.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 29, 2008**

**Litigation and Claims**

The Authority is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such pending lawsuits and other claims are not presently determinable, management of the Authority believes that the resolution of these matters is not expected to have a materially adverse effect on the financial condition of the Authority. There are several civil cases that have resulted in settlements, consent decrees or are expected to have financial impact on the Authority in subsequent fiscal years. An additional amount of \$1,994,445 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

**Joint Deposit/Escrow Account**

On July 23, 2002, the Commissioners Court approved an agreement for a joint deposit/ escrow account between the Authority and Metro and to deposit \$13.8 million in the account. The Authority's construction and operation of toll road facilities within the Westpark Corridor will necessitate Metro's incurring architectural and engineering costs in connection with its future development of its public transit projects in the Westpark Corridor over and above the costs it would otherwise incur if no toll road facilities were constructed in the easements acquired by the Authority. The Authority has agreed to make escrow funds available to Metro for payment of such future increased costs.

**12. TRANSFERS AND ADVANCES**

The Commissioners Court approved a \$120 million annual allocation for funding of a County thoroughfare program to enhance the traffic flow to current or proposed toll facilities and to increase general mobility.

In September 2006, the Authority advanced \$26 million to the County's General Fund to cover the County's repayment of a long term note on behalf of the Harris County Sports & Convention Corporation. Repayment of the note plus interest by the Harris County Houston/Sports Authority to the County and subsequently to the Authority will be made beginning in 2011 through 2020.

**13. REVENUE LEASES**

**Operating Leases**

The Authority is the lessor in several operating leases for office space. The leases will expire over the next 15 years. The buildings are carried at \$3,599,192 with accumulated depreciation of \$294,072 for a net investment in the property of \$3,305,120. The following is a schedule of minimum future rentals on non-cancelable operating leases of February 29, 2008:

<u>Fiscal year</u>	
2009	\$ 428,967
2010	418,767
2011	418,767
2012	418,767
2013	418,767
2014-2018	1,538,583
2019-2023	329,810
Total minimum future rentals	<u>\$ 3,972,428</u>

The total minimum future rentals amount above does not include contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to \$11,700 in 2008.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

**Direct-Financing Leases**

The Authority leases equipment to the City of Houston for use at the Airport. The Authority's net investment in direct financing leases is \$3,664,035. This lease expires in 5 years and is not considered a significant part of the Authority's business activities in terms of revenue.

**14. RECENT ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), establishes accounting standards for pollution remediation obligations regarding existing pollution areas. GASB 49 will be implemented by the Authority in fiscal year 2009 and the impact has not yet been determined.

GASB Statement No. 50, *Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"), more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements. GASB 50 will be implemented by the Authority in fiscal year 2009 and the impact has not yet been determined.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB 51 will be implemented by the Authority in fiscal year 2011 and the impact has not yet been determined.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* ("GASB 52"), establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. GASB 52 will be implemented by the Authority in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 53 will be implemented by the Authority in fiscal year 2011 and the impact has not yet been determined.





**REQUIRED SUPPLEMENTARY INFORMATION**  
**(Unaudited)**

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POST EMPLOYMENT BENEFITS  
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial		Funded Ratio	Covered Payroll
		Accrued Liability (AAL)	Unfunded AAL (UAAL)		
3/1/2007	\$ -	\$ 852,350,950	\$ 852,350,950	0%	\$ 698,535,669

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$1,317,537 and \$19,615,199 respectively.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll
3/1/2007	\$ -	\$ 23,508,770	\$ 23,508,770	0%	\$ 31,598,861

Note: This is the first year of implementation of GASB 45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was 3/1/2007.



## **OTHER INFORMATION**

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

**Traffic Count Table**

**Schedule 1**

**(Unaudited)**

<b>Component/Segment</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Hardy Toll Road-North	13,954,415	14,052,770	14,632,226	14,844,875	16,938,676
Hardy Toll Road-South	18,244,116	18,462,284	19,010,977	19,194,355	20,975,028
Sam Houston Tollway-South	63,934,602	61,531,417	63,197,673	67,495,296	70,584,503
Sam Houston Tollway-Central	49,927,899	51,591,528	55,090,689	56,979,721	56,124,887
Sam Houston Tollway-North	55,729,264	57,044,397	62,488,975	64,503,481	65,373,379
Sam Houston Ship Channel Bridge	10,768,735	10,845,442	12,396,189	12,685,800	13,263,584
Sam Houston Tollway-East	17,367,515	16,510,758	18,362,289	19,094,698	20,166,224
Sam Houston Tollway-South/East	23,998,665	23,929,678	25,702,415	26,790,083	27,928,955
Sam Houston Tollway-South/West	30,940,703	30,545,303	32,782,866	34,006,958	34,769,529
Westpark Tollway (a)	-	12,723,902	30,329,845	41,553,985	45,961,833
Spur 90A (b)	-	-	1,241,962	2,803,683	3,645,128
Total	<u>284,865,914</u>	<u>297,237,479</u>	<u>335,236,106</u>	<u>359,952,935</u>	<u>375,731,726</u>

(a) The Westpark Tollway opened in 2004.

(b) Spur 90 A opened in 2006

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

**Toll Rate Schedule**

**Schedule 2**

**(Unaudited)**

**Toll Rate Schedule Effective as of September 3, 2007**

	<b>Attended</b>	<b>Exact Change</b>	<b>Token</b>	<b>EZ Tag</b>
	<b>Lanes</b>	<b>Lanes</b>	<b>Lanes</b>	<b>Lanes</b>
<u>Two Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.75-1.50	\$ 0.75-1.50	N/A	\$ 0.75-1.25
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	N/A	\$ 1.50
<u>Three to Six Axle Vehicles</u>				
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 1.25-7.50	N/A	N/A	\$ 1.25-7.50
Sam Houston Ship Channel Bridge	\$ 3.00-7.50	N/A	N/A	\$ 3.00-7.50

**Toll Rate Schedule Prior to September 3, 2007**

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

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

**Toll Road Selected Financial Information**

**Schedule 3  
(Unaudited)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Operating Revenues</b>					
Toll revenues	\$ 265,913,082	\$ 317,712,245	\$ 349,341,225	\$ 392,992,697	\$ 428,867,531
Intergovernmental revenues	-	-	-	1,612,040	1,286,116
<b>Total Operating Revenues</b>	<u>265,913,082</u>	<u>317,712,245</u>	<u>349,341,225</u>	<u>394,604,737</u>	<u>430,153,647</u>
<b>Operating Expenses</b>					
Salaries	23,070,478	25,852,853	28,771,452	33,198,646	46,510,889
Materials and supplies	12,322,317	2,732,095	7,265,279	23,707,444	11,650,933
Services and fees	24,876,579	26,410,239	28,748,034	39,362,124	30,121,112
Utilities	1,518,091	1,948,440	2,288,230	2,895,118	3,296,602
Transportation and travel	345,382	437,235	525,709	690,508	866,963
Depreciation	42,518,752	42,913,450	51,818,107	59,704,746	62,889,174
<b>Total Operating Expenses</b>	<u>104,651,599</u>	<u>100,294,312</u>	<u>119,416,811</u>	<u>159,558,586</u>	<u>155,335,673</u>
<b>Income from Operations</b>	<u>161,261,483</u>	<u>217,417,933</u>	<u>229,924,414</u>	<u>235,046,151</u>	<u>274,817,974</u>
<b>Nonoperating Revenues</b>					
Investment income	10,376,752	6,317,939	19,799,582	39,390,825	49,023,466
Lease revenues	-	-	1,000,948	740,389	487,579
Other	714,644	-	-	11,251	4,405,838
<b>Total Nonoperating Revenues</b>	<u>11,091,396</u>	<u>6,317,939</u>	<u>20,800,530</u>	<u>40,142,465</u>	<u>53,916,883</u>
<b>Nonoperating Expenses</b>					
Interest expense	101,075,728	96,222,165	97,189,289	103,386,119	103,326,312
Amortization expense	1,069,795	13,137,957	13,642,903	13,726,840	14,309,780
Bad debt	6,729,330	-	-	-	-
Other	465,589	3,703,190	5,199	-	-
<b>Total Nonoperating Expenses</b>	<u>109,340,442</u>	<u>113,063,312</u>	<u>110,837,391</u>	<u>117,112,959</u>	<u>117,636,092</u>
<b>Net Income Before Contributions and Transfers Out</b>	63,012,437	110,672,560	139,887,553	158,075,657	211,098,765
Contributions (a)	15,189,452	12,522,506	3,129,512	3,113,317	3,059,437
Transfers In	-	-	-	-	21,769
Transfers Out (b)	(67,500,000)	(20,130,000)	(20,241,030)	(31,112,333)	(120,480,464)
<b>Change in Net Assets</b>	<u>\$ 10,701,889</u>	<u>\$ 103,065,066</u>	<u>\$ 122,776,035</u>	<u>\$ 130,076,641</u>	<u>\$ 93,699,507</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 HCTRA net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility. The transfers were as follows: fiscal year 2004 - \$67.5 million, fiscal years 2005 & 2006 - \$20 million, fiscal year 2007 - \$28.4 million, fiscal year 2008 - \$120 million.

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

<b>Fiscal Year Ending</b>	<b>Project Revenues</b>	<b>(a)</b>			<b>(b)</b>		<b>Revenues Available For Unlimited Subordinate Lien Tax Bonds</b>	<b>Debt Service Tax Bonds</b>	<b>Coverage Ratio On Unlimited Subordinate Lien Tax Bonds</b>
		<b>Other Earnings</b>	<b>Debt Service Senior Lien Revenue Bonds</b>	<b>Coverage Ratio On Senior Lien Revenue Bonds</b>	<b>O &amp; M Expenses</b>	<b>Revenue Bonds</b>			
1999	\$ 180,108,358	\$ 18,709,094	\$ 46,546,605	4.271	\$ 21,593,047	\$ 130,677,800	\$ 61,142,299	2.137	
2000	198,282,272	19,093,544	48,974,806	4.439	27,919,182	140,481,828	67,230,590	2.090	
2001	217,785,196	30,729,789	50,393,133	4.932	32,873,082	165,248,770	70,100,623	2.357	
2002	234,674,805	23,262,829	52,677,208	4.897	33,453,815	171,806,611	74,756,674	2.298	
2003	244,170,745	15,926,325	49,727,149	5.230	39,962,567	170,407,354	67,483,545	2.525	
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264	
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434	
2006	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	

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

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



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

<b>Component/Segment</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Hardy Toll Road-North	\$ 11,981,354	\$ 13,888,956	\$ 14,381,462	\$ 14,981,525	\$ 18,355,035
Hardy Toll Road-South (a)	14,730,039	17,202,971	17,568,326	18,105,401	22,382,009
Sam Houston Tollway-South	51,250,139	58,765,316	59,541,264	62,831,888	72,011,783
Sam Houston Tollway-Central	43,064,428	51,823,534	54,416,326	56,966,197	61,753,737
Sam Houston Tollway-North	48,892,943	57,182,927	61,428,727	66,076,156	73,733,209
Sam Houston Ship Channel Bridge	19,378,055	19,356,296	21,984,875	23,187,641	24,088,354
Sam Houston Tollway-East	15,203,970	17,157,370	19,122,853	20,360,429	23,551,201
Sam Houston Tollway-South/East	20,389,860	24,144,419	25,641,681	27,344,571	31,543,731
Sam Houston Tollway-South/West	24,248,769	28,280,061	29,206,606	30,703,175	34,661,216
Westpark Tollway (b)	-	8,730,798	23,036,382	33,316,113	41,871,471
Spur 90A (c)	-	-	635,501	1,449,018	2,375,092
Administration (d)	16,731,864	20,641,990	21,163,992	35,196,101	17,777,848
Fort Bend	-	120,916	523,356	1,391,956	1,717,492
IOP-NTTA (e)	41,661	416,691	689,874	917,995	1,605,179
IOP-TTA (f)	-	-	-	164,531	1,435,807
IOP-CTRMA (g)	-	-	-	-	4,367
Total	<u>\$ 265,913,082</u>	<u>\$ 317,712,245</u>	<u>\$ 349,341,225</u>	<u>\$ 392,992,697</u>	<u>\$ 428,867,531</u>

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

(b) Westpark Tollway opened in 2004.

(c) Spur 90A opened in 2006.

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

(e) 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.

(f) 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.

(g) 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.

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

**Toll Road Bonds Debt Service Requirements**

**Schedule 6**

**(Unaudited)**

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 10,675,665	\$ 62,869,853	\$ 73,545,518	\$ 26,460,000	\$ 67,759,825	\$ 94,219,825	\$ 37,135,665	\$ 130,629,678	\$ 167,765,343
2010	41,540,000	43,713,181	85,253,181	28,120,000	66,129,169	94,249,169	69,660,000	109,842,350	179,502,350
2011	43,285,000	41,244,181	84,529,181	34,460,000	64,276,034	98,736,034	77,745,000	105,520,215	183,265,215
2012	44,970,000	38,694,931	83,664,931	37,140,000	62,428,884	99,568,884	82,110,000	101,123,815	183,233,815
2013	47,210,000	36,124,519	83,334,519	40,590,000	60,421,828	101,011,828	87,800,000	96,546,347	184,346,347
2014	57,225,000	23,778,100	81,003,100	43,615,000	58,252,062	101,867,062	100,840,000	82,030,162	182,870,162
2015	62,425,000	20,579,219	83,004,219	47,185,000	55,931,306	103,116,306	109,610,000	76,510,525	186,120,525
2016	40,670,000	17,986,613	58,656,613	50,770,000	53,456,369	104,226,369	91,440,000	71,442,982	162,882,982
2017	26,460,000	16,406,256	42,866,256	54,555,000	50,815,944	105,370,944	81,015,000	67,222,200	148,237,200
2018	26,610,000	15,127,731	41,737,731	58,635,000	48,006,812	106,641,812	85,245,000	63,134,543	148,379,543
2019	27,445,000	13,742,050	41,187,050	57,665,000	45,149,206	102,814,206	85,110,000	58,891,256	144,001,256
2020	28,345,000	12,277,563	40,622,563	60,590,000	42,274,562	102,864,562	88,935,000	54,552,125	143,487,125
2021	29,285,000	10,764,775	40,049,775	63,275,000	39,333,937	102,608,937	92,560,000	50,098,712	142,658,712
2022	19,445,000	9,485,613	28,930,613	65,945,000	36,308,062	102,253,062	85,390,000	45,793,675	131,183,675
2023	20,240,000	8,449,022	28,689,022	28,310,000	34,108,037	62,418,037	48,550,000	42,557,059	91,107,059
2024	20,700,000	7,384,903	28,084,903	32,335,000	32,701,444	65,036,444	53,035,000	40,086,347	93,121,347
2025	21,165,000	6,297,059	27,462,059	33,860,000	31,171,325	65,031,325	55,025,000	37,468,384	92,493,384
2026	12,070,000	5,430,338	17,500,338	36,350,000	29,485,437	65,835,437	48,420,000	34,915,775	83,335,775
2027	12,090,000	4,796,138	16,886,138	39,665,000	27,593,537	67,258,537	51,755,000	32,389,675	84,144,675
2028	12,115,000	4,160,756	16,275,756	43,085,000	25,540,788	68,625,788	55,200,000	29,701,544	84,901,544
2029	12,135,000	3,524,194	15,659,194	46,685,000	23,314,797	69,999,797	58,820,000	26,838,991	85,658,991
2030	12,160,000	2,886,450	15,046,450	50,450,000	20,940,322	71,390,322	62,610,000	23,826,772	86,436,772
2031	12,185,000	2,247,394	14,432,394	54,380,000	18,392,222	72,772,222	66,565,000	20,639,616	87,204,616
2032	12,210,000	1,607,025	13,817,025	57,295,000	15,671,731	72,966,731	69,505,000	17,278,756	86,783,756
2033	12,240,000	965,212	13,205,212	61,515,000	12,796,294	74,311,294	73,755,000	13,761,506	87,516,506
2034	12,265,000	321,956	12,586,956	66,960,000	9,661,031	76,621,031	79,225,000	9,982,987	89,207,987
2035	-	-	-	82,215,000	6,200,567	88,415,567	82,215,000	6,200,567	88,415,567
2036	-	-	-	86,700,000	2,474,220	89,174,220	86,700,000	2,474,220	89,174,220
2037	-	-	-	12,480,000	280,800	12,760,800	12,480,000	280,800	12,760,800
<b>Total</b>	<b>\$677,165,665</b>	<b>\$ 410,865,032</b>	<b>\$ 1,088,030,697</b>	<b>\$ 1,401,290,000</b>	<b>\$1,040,876,552</b>	<b>\$ 2,442,166,552</b>	<b>\$ 2,078,455,665</b>	<b>\$ 1,451,741,584</b>	<b>\$ 3,530,197,249</b>

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

The Series 1991 Bonds, Series 1992 Bonds, Series 1994A, Series 1995A, Series 1997, Series 2001, Series 2002, Series 2003 and Series 2007C Tax Bonds are collectively referred to as the “Toll Road Tax Bonds”.

<u>Issue</u>	<u>Date Issued</u>	<u>Outstanding Principal Amount at February 29, 2008</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1991	April 1991	\$ 760,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1992-A	February 1992	1,250,000
Series 1992-B	February 1992	200,665
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1994A	April 1994	59,925,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1995A	September 1995	500,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1997	August 1997	26,905,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2001	May 2001	120,740,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2002	November 2002	42,260,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2003	July 2003	102,880,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	321,745,000
<b>TOTAL</b>		<u>\$ 677,165,665</u>

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

The Series 2002, Series 2004-A, Series 2004-B, Series 2005-A, Series 2006-A, Series 2007-A and Series 2007-B are referred to as the “Senior Lien Revenue Bonds”.

Issue	Outstanding Principal Amount at February 29, 2008
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2002	\$ 224,175,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004A	168,715,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004B	429,220,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2005A	22,740,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2006A	135,530,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2007A	275,340,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2007B	145,570,000
<b>TOTAL</b>	\$ 1,401,290,000

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2008-2009**

**Schedule 9  
(Unaudited)**

On March 4, 2008 the Commissioners Court adopted the budget for the County for the Fiscal Year 2009 which included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2009 Budget for the County's Current Operating Funds:

Cash Balance as of March 1, 2008	\$ 258,888,292
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	889,642,336
Charges for Services	199,291,194
Fines and Forfeitures	20,916,500
Intergovernmental Revenues	33,606,152
Interest	9,804,657
Other	163,087,835
Total Cash and Estimated Revenues	<u>\$ 1,575,236,966</u>
Appropriations:	
Current Operating Expenses	\$ 1,414,171,068
Capital Outlay:	
Roads	142,289,976
Parks	17,775,922
Office/Courts	1,000,000
Total Appropriations	<u>\$ 1,575,236,966</u>

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**COUNTY CAPITAL PROJECTS FUNDS BUDGETING**  
**Schedule 10**  
**(Unaudited)**

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 29, 2008 derived from the sale of bonds and the investment income thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 239,356,224
Permanent Improvements	27,485,287
Flood Control	166,812,862
Reliant Park	<u>14,153,726</u>
 Total	 <u><u>\$ 447,808,099</u></u>

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

**LAST TEN FISCAL YEARS**

**Schedule 11**

**(Unaudited)**

**(amounts in thousands)**

<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>
1999	\$125,452,026	\$ 25,255,844	\$ 20,271,134	\$ 130,436,736	0.37748	0.03912	0.41660
2000	136,396,208	26,962,355	22,345,082	141,013,481	0.35780	0.03703	0.39483
2001	150,845,241	28,397,625	25,145,837	154,097,029	0.32599	0.03303	0.35902
2002	165,804,662	30,668,510	28,809,564	167,663,608	0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696 (b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210 (b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945 (b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375 (c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250 (c)	0.38106	0.02133	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756	0.37118	0.02121	0.39239

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of \$160,000.

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

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

**Source:** Harris County Appraisal District.

**Note:** Property in the county is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

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

**LAST TEN FISCAL YEARS**

**Schedule 12**

**(Unaudited)**

**(amounts in thousands)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
1999	\$ 543,778	\$ 522,522	96.1	\$ 18,607	\$ 541,129	99.5
2000	557,352	538,011	96.5	16,627	554,638	99.5
2001	553,216	547,846	99.0	2,339	550,185	99.5
2002	643,711	617,800	96.0	21,934	639,734	99.4
2003	682,975	657,498	96.3	20,760	678,258	99.3
2004	704,093	693,384	98.5	5,513	698,897	99.3
2005	793,759	740,302	93.3	46,943	787,245	99.2
2006	796,885	719,922	90.3	68,603	788,525	99.0
2007	887,598	793,835	89.4	78,481	872,316	98.3
2008	929,929	910,828	97.9	-	910,828	97.9



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

(amounts in thousands)

**Schedule 13  
(Unaudited)**

Taxpayers	2008			1999		
	2007 Taxable Valuations (a)	Rank	Percentage of Total 2007 Taxable Valuation (b)	1998 Taxable Valuations (a)	Rank	Percentage of Total 1998 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,845,810	1	1.51	\$ 3,161,860	1	2.42
Shell Oil Company	2,830,089	2	1.11	1,007,712	5	0.77
Centerpoint Energy, Inc.	2,526,174	3	0.99	-		0.00
Crescent Real Estate	1,374,136	4	0.54	478,706	9	0.37
Equistar Chemicals Limited Partnership	1,309,415	5	0.52	1,357,822	4	1.04
Chevron Chemical Co	1,296,919	6	0.51	336,237	15	0.26
Houston Refining	1,174,204	7	0.46	-		0.00
Hines Interests Ltd Partnership	1,066,965	8	0.42	-		0.00
Hewlett Packard Company	1,062,117	9	0.42	-		0.00
Southwestern Bell	1,022,144	10	0.40	1,563,578	3	1.20
Lyondell Chemical Co.	896,558	11	0.35	-		0.00
Walmart	675,896	12	0.27	-		0.00
Rohm & Haas Co	594,154	13	0.23	424,524	11	0.33
Teachers Insurance	589,278	14	0.23	-		0.00
Nabors Drilling USA LP	507,727	15	0.20	-		0.00
Houston Lighting and Power Company	-		0.00	2,022,343	2	1.55
Arco Chemical Co.	-		0.00	940,097	6	0.72
Compaq Computer Corporation	-		0.00	844,339	7	0.65
Occidental Chemical Corporation	-		0.00	532,623	8	0.41
Phillips 66 Company	-		0.00	424,708	10	0.33
Conoco Inc.	-		0.00	418,771	12	0.32
Celanese Ltd	-		0.00	416,230	13	0.32
Lyondell-Citgo Refining Co.	-		0.00	390,303	14	0.30
<b>Total</b>	<b>\$ 20,771,586</b>		<b>8.16%</b>	<b>\$ 14,319,853</b>		<b>10.99%</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 January 26, 2007.

(c) Based on the County's total taxable value as of January 1, 1999.

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

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	\$ 906,931,629
Unlimited Tax Debt	772,327,015
Flood Control	412,285,000
Toll Road Tax Bonds	677,165,665
Total	\$ 2,768,709,309
Less: Toll Road Tax Bonds	(677,165,665)
Total (Approximately 0.64% of 2007 Assessed Value)	\$ 2,091,543,644

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

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

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 1998-99 through 2007-08.

Fiscal Year	County's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
1999	\$ 1,595,308	\$ 130,436,736	1.22%	3,206,063	\$ 498
2000	1,563,517	141,013,481	1.11	3,250,404	481
2001	1,572,795	154,097,029	1.02	3,400,578	463
2002	1,640,580	167,663,608	0.98	3,460,589	474
2003	1,928,192	176,215,696	1.09	3,557,055	542
2004	1,968,193	185,156,210	1.06	3,596,086	547
2005	2,258,539	194,263,945	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683
2007	2,856,915	225,237,250	1.27	3,886,207	735
2008	2,768,709	254,222,756	1.09	3,935,855	703

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

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

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate 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
2009	\$ 37,775,000	\$ 40,755,084	\$ 78,530,084	\$ 23,842,422	\$ 40,760,519	\$ 64,602,941	\$ 10,675,665	\$ 62,869,853	\$ 73,545,518	\$ 7,908,864	\$ 32,030,630	\$ 39,939,494	\$ 80,201,951	\$ 176,416,086	\$ 256,618,037
2010	40,370,000	38,949,300	79,319,300	26,244,592	38,128,699	64,373,291	41,540,000	43,713,181	85,253,181	8,667,889	30,555,505	39,223,394	116,822,481	151,346,685	268,169,166
2011	38,000,000	37,009,301	75,009,301	34,630,000	34,308,716	68,938,716	43,285,000	41,244,181	84,529,181	8,318,921	28,502,961	36,821,882	124,233,921	141,065,159	265,299,080
2012	45,510,000	35,188,304	80,698,304	30,690,000	32,639,554	63,329,554	44,970,000	38,694,931	83,664,931	8,124,024	26,387,483	34,511,507	129,294,024	132,910,272	262,204,296
2013	52,100,000	31,414,755	83,514,755	28,005,000	31,105,054	59,110,054	47,210,000	36,124,519	83,334,519	9,435,000	24,864,956	34,299,956	136,750,000	123,509,284	260,259,284
2014	40,490,022	27,742,116	68,232,138	18,502,902	32,501,048	51,003,950	57,225,000	23,778,100	81,003,100	9,715,000	24,393,232	34,108,232	125,932,924	108,414,496	234,347,420
2015	42,002,460	26,182,912	68,185,372	19,933,385	28,939,904	48,873,289	62,425,000	20,579,219	83,004,219	8,685,000	23,905,894	32,590,894	133,045,845	99,607,929	232,653,774
2016	43,496,787	24,577,244	68,074,031	19,647,743	28,246,666	47,894,409	40,670,000	17,986,613	58,656,613	7,945,000	23,476,526	31,421,526	111,759,530	94,287,049	206,046,579
2017	45,461,714	22,841,227	68,302,941	18,988,742	27,545,116	46,533,858	26,460,000	16,406,256	42,866,256	7,170,000	23,070,763	30,240,763	98,080,456	89,863,362	187,943,818
2018	46,801,285	20,831,479	67,632,764	19,357,229	26,858,079	46,215,308	26,610,000	15,127,731	41,737,731	7,545,000	22,694,338	30,239,338	100,313,514	85,511,627	185,825,141
2019	40,026,339	18,708,657	58,734,996	32,515,000	26,136,554	58,651,554	27,445,000	13,742,050	41,187,050	22,925,000	22,298,225	45,223,225	122,911,339	80,885,486	203,796,825
2020	26,495,898	17,027,189	43,523,087	34,190,000	24,462,997	58,652,997	28,345,000	12,277,563	40,622,563	39,325,000	21,094,663	60,419,663	128,355,898	74,862,412	203,218,310
2021	36,155,000	15,782,478	51,937,478	35,940,000	22,713,472	58,653,472	29,285,000	10,764,775	40,049,775	41,385,000	19,030,100	60,415,100	142,765,000	68,290,825	211,055,825
2022	36,065,000	14,269,057	50,334,057	37,785,000	20,874,335	58,659,335	19,445,000	9,485,613	28,930,613	45,175,000	16,857,388	62,032,388	138,470,000	61,486,393	199,956,393
2023	37,540,000	13,190,839	50,730,839	39,670,000	18,981,040	58,651,040	20,240,000	8,449,022	28,689,022	47,465,000	14,575,488	62,040,488	144,915,000	55,196,389	200,111,389
2024	27,560,806	11,847,889	39,408,695	41,670,000	16,994,250	58,664,250	20,700,000	7,384,903	28,084,903	49,845,000	12,177,875	62,022,875	139,775,806	48,404,917	188,180,723
2025	69,877,279	10,782,381	80,659,660	43,755,000	14,910,750	58,665,750	21,165,000	6,297,059	27,462,059	10,795,000	9,659,980	20,454,980	145,592,279	41,650,170	187,242,449
2026	19,939,303	7,407,116	27,346,419	38,140,000	12,723,000	50,863,000	12,070,000	5,430,338	17,500,338	26,255,000	9,093,250	35,348,250	96,404,303	34,653,704	131,058,007
2027	32,630,000	6,379,956	39,009,956	38,140,000	10,816,000	48,956,000	12,090,000	4,796,138	16,886,138	26,255,000	7,780,500	34,035,500	109,115,000	29,772,594	138,887,594
2028	33,745,000	5,044,400	38,789,400	38,140,000	8,909,000	47,049,000	12,115,000	4,160,756	16,275,756	12,800,000	6,467,750	19,267,750	96,800,000	24,581,906	121,381,906
2029	16,699,736	4,086,225	20,785,961	38,135,000	7,127,000	45,262,000	12,135,000	3,524,194	15,659,194	12,800,000	5,187,000	17,987,000	79,769,736	19,924,419	99,694,155
2030	24,830,000	3,189,680	28,019,680	38,135,000	5,345,250	43,480,250	12,160,000	2,886,450	15,046,450	12,800,000	3,906,250	16,706,250	87,925,000	15,327,630	103,252,630
2031	25,530,000	2,271,047	27,801,047	38,135,000	3,563,500	41,698,500	12,185,000	2,247,394	14,432,394	12,800,000	2,625,500	15,425,500	88,650,000	10,707,441	99,357,441
2032	26,280,000	1,328,202	27,608,202	38,135,000	1,781,750	39,916,750	12,210,000	1,607,025	13,817,025	80,075,000	1,312,750	81,387,750	156,700,000	6,029,727	162,729,727
2033	21,550,000	359,885	21,909,885	-	-	-	12,240,000	965,212	13,205,212	-	-	-	33,790,000	1,325,097	35,115,097
2034	-	-	-	-	-	-	12,265,000	321,956	12,586,956	-	-	-	12,265,000	321,956	12,586,956
<b>Total</b>	<b>\$ 906,931,629</b>	<b>\$ 437,166,723</b>	<b>\$1,344,098,352</b>	<b>\$ 772,327,015</b>	<b>\$ 516,372,253</b>	<b>\$1,288,699,268</b>	<b>\$ 677,165,665</b>	<b>\$ 410,865,032</b>	<b>\$ 1,088,030,697</b>	<b>\$ 524,214,698</b>	<b>\$ 411,949,007</b>	<b>\$ 936,163,705</b>	<b>\$ 2,880,639,007</b>	<b>\$ 1,776,353,015</b>	<b>\$ 4,656,992,022</b>

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

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS**

**Schedule 17**

**(Unaudited)**

**(Amounts in Thousands)**

As of February 29, 2008, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1987, November, 1989, November, 1993, November, 1997, and November, 2001 remain unissued.

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

The table also shows Port of Houston Authority valorem tax bonds that were authorized by the voters at elections held in November, 1989, November, 1993, and November, 1997 but remain unissued. Harris County has no legal responsibility for repayment of these bonds.

County Ad Valorem Tax Bonds

Limited Tax:

Civil Justice Center	\$ 33,000	
Parks	108,960	
Forensic Lab	80,000	
Family Law Center	70,000	
Total Limited Tax Bonds	291,960	\$ 291,960

Unlimited Tax:

Road Bonds	297,078	
Total Unlimited Tax Bonds	297,078	297,078

Combination Unlimited Tax and Revenue:

Toll Roads	17,673	
Total Unlimited Tax and Revenue Bonds	17,673	17,673

Harris County Flood Control District Limited Tax Bonds

	-	
Total Harris County Ad Valorem Tax Bonds	606,711	

Port of Houston Authority Unlimited Tax Bonds

Port Improvements	358,728	
Deepening and Widening of Houston Ship Channel	-	
Total Port of Houston Authority Bonds	358,728	

Total Authorized but Unissued Bonds		\$ 965,439
-------------------------------------	--	------------

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Harris County General Fund:										
Reserved	\$ 71,415	\$ 76,937	\$ 71,535	\$ 69,003	\$ 105,162	\$ 100,143	\$ 112,291	\$ 146,215	\$ 175,301	\$ 175,956
Unreserved	207,206	218,634	204,672	246,811	214,160	250,939	203,684	175,581	128,418	192,616
Total general fund	<u>\$ 278,621</u>	<u>\$ 295,571</u>	<u>\$ 276,207</u>	<u>\$ 315,814</u>	<u>\$ 319,322</u>	<u>\$ 351,082</u>	<u>\$ 315,975</u>	<u>\$ 321,796</u>	<u>\$ 303,719</u>	<u>\$ 368,572</u>

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

**Full-time Equivalent Employees as of February 28/29**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Administration of Justice	6,931	7,820	8,054	8,177	8,115	8,450	8,554	8,818	8,307	8,882
Parks	*	*	*	*	*	*	*	754	727	745
County Administration	2,447	2,612	2,758	2,817	2,627	2,720	2,787	2,885	2,926	3,078
Health and Human Services	*	*	*	*	*	*	*	1,764	1,628	1,726
Flood Control	*	276	270	277	289	331	342	320	338	326
Tax Administration	505	458	460	468	450	465	442	442	438	443
Roads and Bridges	1,078	677	716	736	752	817	837	857	791	819
Other *	2,529	1,489	1,613	1,742	2,050	2,287	2,441	*	*	*

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

Note: As of February 29, 2008, it is estimated that approximately 2,447 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

**TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**RETIREMENT SYSTEM EMPLOYER CONTRIBUTIONS**  
**Schedule 20**  
**(Unaudited)**

The employer contributions to the System by the County for the fiscal years 2004 through 2008 are summarized as follows:

	FY2008	FY2007	FY2006	FY2005	FY2004
Employer Contributions	\$75,944,968	\$65,922,424	\$60,990,625	\$60,824,272	\$56,659,405