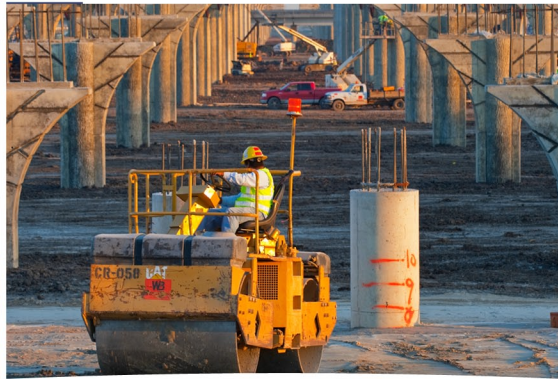




 **HARRIS COUNTY TOLL ROAD AUTHORITY**



HARRIS COUNTY TOLL ROAD AUTHORITY ENTERPRISE FUND

A Department of Harris County, Texas

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2012

Prepared By:
Barbara J. Schott, CPA
County Auditor

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

*Financial Statements As of February 29, 2012
and for the Year Then Ended and Independent
Auditors' Report*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED FEBRUARY 29, 2012**

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

August 14, 2012

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, 2012. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

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

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

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended February 29, 2012 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE AUTHORITY

History

The Harris County Toll Road Authority was established in 1983 by the Harris County Commissioners Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters

authorized issuance of up to \$900 million in bonds to construct, operate and maintain toll roads in Harris County. The first two components of the toll road system, the Hardy Toll Road and the Sam Houston Tollway-West were completed in 1987 and 1990 respectively. In 1994, the County purchased the Jesse H. Jones Memorial Bridge toll facility from the Texas Turnpike Authority, which was renamed the Sam Houston Ship Channel Bridge. In 2004, the Harris County Toll Road Authority opened the Westpark Tollway; in April 2009, the Katy Managed Lanes were opened for full operations; and in February 2011, the 13-mile Sam Houston Tollway Northeast section opened with all-electronic tolling.

Authority Structure and Services

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

Budget Process

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

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The Houston – Sugar Land – Baytown Metropolitan Statistical Area is the fifth largest metropolitan area in the United States with an estimated 139,000 residents added between April 1, 2010 and July 1, 2011. It continues to have the fastest job growth rate of the nation's major metropolitan areas. For the 12 months ending March 2012, the Houston - Sugar Land – Baytown Metropolitan Area added 82,300 jobs. Trade, transportation, oil and gas, and utilities experienced significant job growth, while government and construction experienced job losses.

The Houston Association of Realtors reported a 9.6 percent increase in single family home sales in April 2012 compared with April 2011. In April 2012, the average sales price for a single-family home was \$223,328, which was 11.2 percent higher than in April 2011. The median price was \$160,120, up 8.2% from April 2011. Sales of foreclosed properties decreased 10.1 percent in April compared with one year earlier.

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

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, and state of the art telecommunication services. George Bush Intercontinental Airport, located approximately 23 miles north of downtown Houston, is the seventh busiest airport in the U.S. for international passengers and the 12th largest international air cargo gateway.

As of the 2010 U.S. Census, Harris County had a population of 4.1 million, making it the most populous county in Texas and the third most populous county in the United States, ranking behind Los Angeles County, California and Cook County, Illinois. Twenty-five companies on the 2012 *Fortune 500* list are headquartered in the Houston – Sugar Land – Baytown Metropolitan Statistical Area. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 67 and Chicago with 29.

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

Financial Policies and Long-Term Financial Planning

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

- The County will continue to focus on building reserves to maintain financial stability and current high bond ratings;
- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund; and
- A long-term goal is established to build reserves to minimize the need for interim financing over the next several years.

Authority funds available for investment under the County's investment program as of February 29, 2012 totaled \$1,251 million with investment earnings of \$39.5 million for the fiscal year. The average yield and maturity of such investments were 3% and 1,094 days.

The County provides retirement, disability, and death benefits for all of its employees (excluding temporary) through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the 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 2012 was 6%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post-employment benefits can be found in Notes 9 and 10 of the notes to the financial statements.

Major Initiatives

The Authority continues moving forward on projects authorized by Commissioners Court including the Hardy Toll Road Downtown Connector, widening portions of the Sam Houston Tollway, managed lane projects on US 290, and projects related to SH 249 and SH 288.

ACKNOWLEDGMENTS

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

REQUEST FOR INFORMATION

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

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

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INDEPENDENT AUDITOR'S 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, 2012 and the related statement of revenues, expenses, and change in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County, Texas (the "County"). Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Toll Road Authority as of February 29, 2012, 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.

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

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and Other Information Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Debitte & Touche LLP

August 14, 2012

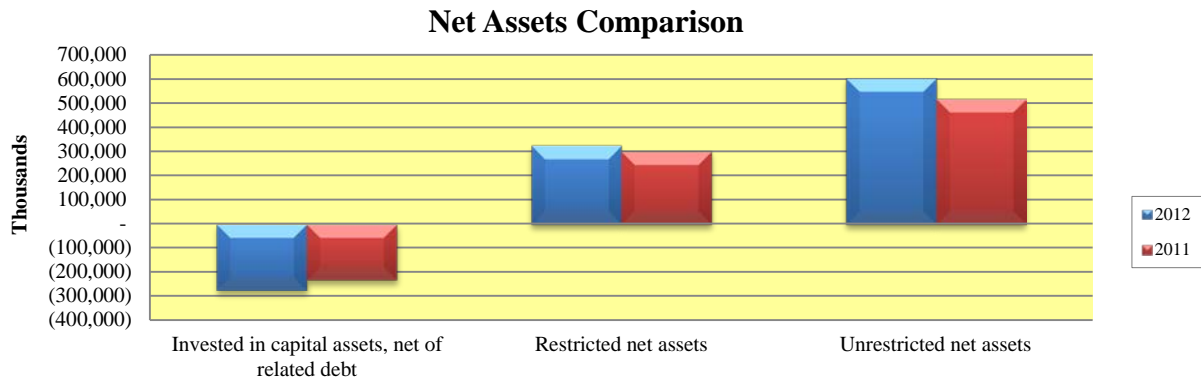
***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***

This section of the Toll Road Authority Enterprise Fund of Harris County financial statements presents management’s discussion and analysis (“MD&A”) of the financial performance of the Harris County Toll Road Authority (“Authority”) during the fiscal year ended February 29, 2012.

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 2012, the Authority issued \$199,915,000 in revenue and tax refunding bonds with related debt service financed through toll revenues. Note 7 to the financial statements provides further details on the new debt issuances.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets, net of related debt, a deficit of \$275,281,450, 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 decreased \$44,279,523 from the previous year.
 - (2) Net assets of \$325,124,423 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets increased by \$22,946,448 from the prior year due to an increase in the debt service reserve.
 - (3) Unrestricted net assets of \$605,663,600 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets increased \$85,521,499 from the previous year.



***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2012
(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 18 of this report.

FINANCIAL ANALYSIS

The total net assets of the Authority exceeded liabilities at February 29, 2012 by \$655,506,573 and \$591,318,149 for fiscal year ended 2011. Net assets increased primarily due to a decrease in outstanding debt.

**Harris County Toll Road Authority Enterprise Fund
Condensed Statement of Net Assets
February 29, 2012 and February 28, 2011
(Amounts in thousands)**

	2012	2011
Current assets	\$ 1,228,801	\$ 1,225,879
Capital assets, net	1,984,553	2,070,761
Other non-current assets	232,265	132,978
Total assets	<u>3,445,619</u>	<u>3,429,618</u>
Current liabilities	174,802	175,577
Non-current liabilities	2,615,310	2,662,723
Total liabilities	<u>2,790,112</u>	<u>2,838,300</u>
Net assets:		
Invested in capital assets, net of related debt	(275,281)	(231,002)
Restricted net assets	325,124	302,178
Unrestricted net assets	605,664	520,142
Total net assets	<u>\$ 655,507</u>	<u>\$ 591,318</u>

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***

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

Another portion of the Authority's current fiscal year net assets reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was a decrease in related debt of \$83,255,325, a decrease in unspent proceeds of \$41,326,809, while capital assets decreased by \$86,208,039, causing an overall decrease in capital assets net of related debt of \$44,279,523. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***

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

Harris County Toll Road Authority Enterprise Fund Statement of Activities (In Thousands) For the Years Ended February 29, 2012 and February 28, 2011		
	<u>2012</u>	<u>2011</u>
Revenues:		
Operating revenues:		
Toll revenue	\$ 519,297	\$ 481,346
Intergovernmental revenue	6,056	852
Nonoperating Revenues:		
Investment income	39,551	13,528
Lease revenue	19	134
Miscellaneous revenue	780	819
Total revenues	<u>565,703</u>	<u>496,679</u>
Expenses:		
Operating Expenses:		
Salaries	49,454	51,443
Materials and supplies	9,593	9,959
Services and fees	77,814	79,341
Utilities	3,351	3,201
Transportation and travel	2,252	1,110
Depreciation	74,800	72,934
Nonoperating Expenses:		
Interest expense	123,752	125,570
Amortization expense	18,084	17,140
Loss on disposal of capital assets	9,527	2,568
Total expenses	<u>368,627</u>	<u>363,266</u>
Income before contributions and transfers	197,076	133,413
Contributions	360	3,063
Transfers in	281	1,071
Transfers out	<u>(133,528)</u>	<u>(124,352)</u>
Change in net assets	64,189	13,195
Net assets - beginning	<u>591,318</u>	<u>578,123</u>
Net assets - ending	<u>\$ 655,507</u>	<u>\$ 591,318</u>

Revenues and Contribution

Total revenues and contributions for fiscal year 2012 were \$566,063,295, an increase of \$66,320,991 in revenues and contribution from fiscal year 2011 of \$499,742,304.

The largest revenue source is toll revenue of \$519,296,886 or 92% of total revenues and contributions. This revenue category increased \$37,950,603 from fiscal year 2011. This is primarily due to increased usage at the toll plazas. The biggest increases were noted at the Sam Houston North/East (\$14.4M), Katy Managed Lanes (\$1.3M), Sam Houston North (\$2.7M), Sam Houston South (\$2.0M), Sam Houston Central (\$1.7M), Ship Channel Bridge (\$2.1M), and Westpark Tollway (\$1.4M). Another contributor

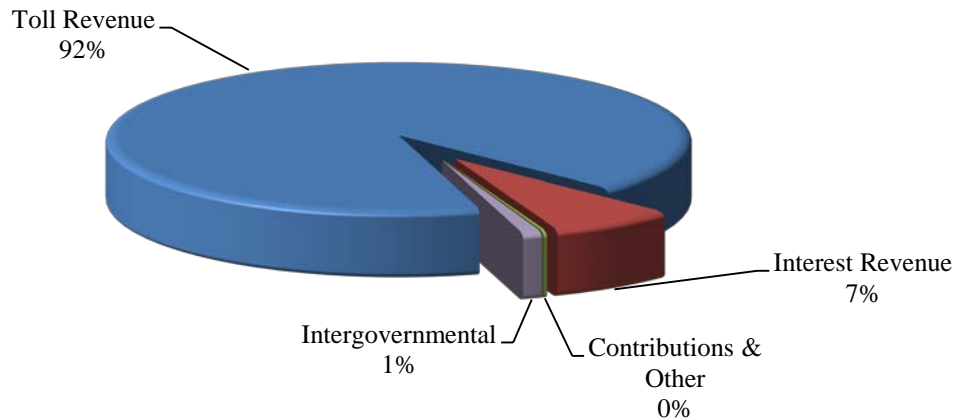
***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***

was an increase in the Administration component (\$6.7M), which accounts for unpaid tolls, EZ tag fees and violations.

Contributions and other revenues totaled \$1,158,456 or less than 1% of total revenues and contributions. Contributions of \$360,000 for fiscal year 2012 decreased \$2,703,258 compared to fiscal year 2011 contributions of \$3,063,258. Other revenue consists of lease revenue of \$18,900 and miscellaneous revenue of \$779,556. Intergovernmental revenue of \$6,056,459 is 1% of total revenues and contributions.

Interest revenue for fiscal year 2012 totaled \$39,551,494 and comprises 7% of total revenues and contributions. This revenue source increased \$26,023,338 from fiscal year 2011 of \$13,528,156. The increase is attributable to increases in the average yield of investments and market value of investments.

REVENUES BY SOURCE
Year ended February 29, 2012



Expenses

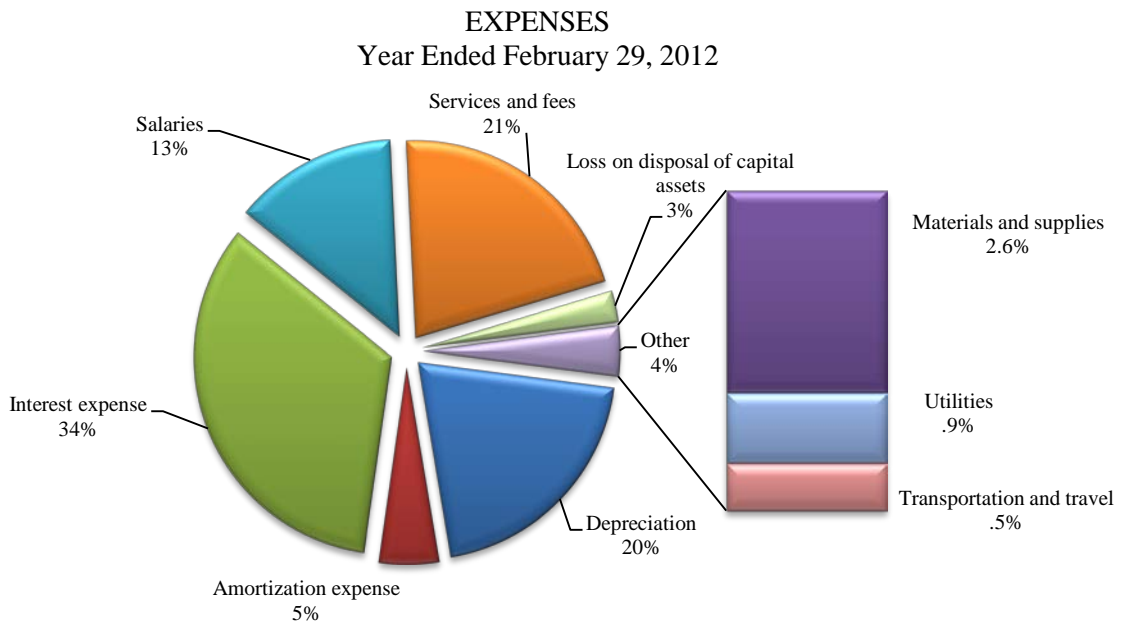
For fiscal year ended February 29, 2012, expenses totaled \$368,627,153, and increased \$5,361,099 from fiscal year 2011 of \$363,266,054.

Interest expense of \$123,752,002 is the Authority's largest expense category and is 34% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries of \$49,453,565 or 13% of total expenses decreased by \$1,989,079 from fiscal year 2011. Services and fees of \$77,813,626 or 21% of total expenses decreased by \$1,527,015 primarily due to a decrease in engineering services on roadways and facilities.

The remaining 32% of expenses consisted of depreciation (20%), amortization expense (5%), loss on disposal of capital assets (3%), and other expenses (4%) and consists of outlays relative to materials and supplies, utilities, and transportation and travel. All of these expense categories are necessary for the operation of the toll road.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management’s Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***



Transfers

Transfers consisted of transfers out of \$133,528,463 and transfers in of \$280,745. The largest component of transfers out was a \$120 million allocation to fund non-toll County road or enhancement projects and a \$13 million transfer for the County to manage a non-toll road project for the Toll Road. The transfers in was for a capital asset transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority’s capital assets, net of accumulated depreciation as of February 29, 2012 and February 28, 2011, amounted to \$1,984,552,941 and \$2,070,760,980, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority’s capital assets, net of accumulated depreciation/amortization decreased \$86,208,039 from fiscal year 2011.

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***

	Balance	Balance
	February 29, 2012	February 28, 2011
Land	\$ 43,335,783	\$ 37,555,220
Right-of-way	257,219,775	268,002,364
Construction in progress	114,790,682	248,450,760
License agreement	238,615,651	238,140,451
Land improvements	5,092,974	4,346,766
Infrastructure	2,217,134,429	2,098,798,007
Other tangible assets	22,058,242	22,052,955
Buildings	15,455,427	15,816,102
Equipment	64,798,645	58,249,214
	<u>2,978,501,608</u>	<u>2,991,411,839</u>
Less: Accumulated depreciation/amortization	(993,948,667)	(920,650,859)
Totals	<u>\$ 1,984,552,941</u>	<u>\$ 2,070,760,980</u>

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

Long-term liabilities

At the end of the fiscal year, the balance of the Authority's total outstanding long-term liabilities was \$2,722,913,424. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	Outstanding at	Outstanding at
	February 29, 2012	February 28, 2011
Bonds payable	\$ 2,621,849,324	\$ 2,704,676,608
Derivative instruments - interest rate swaps	83,949,874	42,580,963
Compensatory time payable	1,007,357	1,228,622
OPEB obligation	16,106,869	13,281,171
Totals	<u>\$ 2,722,913,424</u>	<u>\$ 2,761,767,364</u>

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

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

ECONOMIC FACTORS

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

***Toll Road Authority Enterprise Fund of Harris County, Texas
Management's Discussion and Analysis
Year Ended February 29, 2012
(Unaudited)***

- Metro, a regional transit authority, currently operates an extensive bus fleet serving Harris County and all of the City of Houston. Metro offers “park-and-ride” services, which include free automobile parking at suburban Metro lots and bus service to and from Houston’s central business district in competition with the Hardy Toll Road. Metro’s “park-and-ride” service from its most distant lot near the intersection of IH-45 and FM 1960 to downtown Houston, utilizing IH-45’s free “authorized vehicle lane”, competes for a portion of the traffic that could otherwise be expected to utilize the Hardy Toll Road. The “park-and-ride” services along IH-10 competes for a portion of the traffic that could otherwise be expected to utilize the Katy Managed Lanes.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
FEBRUARY 29, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$	71,505,285
Investments		858,964,828
Receivables, net		4,724,847
Accrued interest receivable		3,874,593
Other receivables, net		5,803,701
Inventories		2,614,396
Prepays and other assets		1,529,142
Restricted cash and cash equivalents		4,955,546
Restricted investments		274,828,990
Total current assets		1,228,801,328

Non-current assets:

Investments, held as collateral by others		49,000,000
Advances to primary government		42,951,426
Notes receivable		34,976,067

Capital Assets:

Land and construction in progress		415,346,240
License agreement, net of amortization		233,129,401
Other capital assets, net of depreciation		1,336,077,300
Deferred charges, net of amortization		21,386,961
Deferred outflow - interest rate swaps		83,949,874
Total non-current assets		2,216,817,269
Total assets		3,445,618,597

LIABILITIES

Current liabilities:

Vouchers payable		18,112,879
Accrued payroll and compensated absences		4,526,637
Retainage payable		2,464,633
Customer deposits		1,312,535
Due to primary government		369,783
Due to other units		1,334,694
Deferred revenue		39,631,485
Current portion of long-term liabilities		107,049,288
Total current liabilities		174,801,934

Non-current liabilities:

Bonds payable		2,514,800,036
Derivative instruments - interest rate swaps		83,949,874
Compensatory time payable		453,311
OPEB obligation		16,106,869
Total non-current liabilities		2,615,310,090
Total liabilities		2,790,112,024

NET ASSETS

Invested in capital assets, net of related debt		(275,281,450)
Restricted for capital projects		59,690,919
Restricted for debt service		265,433,504
Unrestricted		605,663,600
Total net assets	\$	655,506,573

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 29, 2012

OPERATING REVENUE

Toll revenue	\$ 519,296,886
Intergovernmental	6,056,459
Total operating revenue	<u>525,353,345</u>

OPERATING EXPENSES

Salaries	49,453,565
Materials and supplies	9,593,144
Services and fees	77,813,626
Utilities	3,350,959
Transportation and travel	2,252,155
Depreciation and amortization	74,800,445
Total operating expenses	<u>217,263,894</u>

Operating income	<u>308,089,451</u>
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NONOPERATING REVENUES

Investment income	39,551,494
Lease income	18,900
Miscellaneous income	779,556
Total nonoperating revenues	<u>40,349,950</u>

NONOPERATING EXPENSES

Interest expense	123,752,002
Amortization expense	18,084,253
Loss on disposal of capital assets	9,527,004
Total nonoperating expenses	<u>151,363,259</u>

Income before contributions and transfers	197,076,142
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Contributions	360,000
Transfers in	280,745
Transfers out	<u>(133,528,463)</u>

Change in net assets	64,188,424
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Net assets, beginning of year	<u>591,318,149</u>
Net assets, end of year	<u>\$ 655,506,573</u>

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tolls	\$ 526,994,816
Payments to employees	(46,525,308)
Payments to vendors	(102,823,078)
Receipts from miscellaneous reimbursements	779,556
Net cash provided by operating activities	<u>378,425,986</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Internal receipts from other funds	1,186,804
Transfers to other funds	(133,247,718)
Net cash used for noncapital financing activities	<u>(132,060,914)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Receipts from lease of capital assets	18,900
Purchases of capital assets	(36,373,651)
Proceeds from sale of capital assets	1,919,290
Principal and escrow paid on capital debt	(294,115,000)
Interest paid on capital debt	(130,989,464)
Proceeds from capital debt	203,024,892
Bond issuance cost	(863,442)
Net cash used for capital and related financing activities	<u>(257,378,475)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of monies advanced to primary government	8,209,767
Purchase of investments	(1,927,037,323)
Proceeds from sale and maturity of investments	1,937,949,683
Interest received	23,144,390
Net cash provided by investing activities	<u>42,266,517</u>

Net change in cash and cash equivalents	31,253,114
Cash and cash equivalents, beginning	45,207,717
Cash and cash equivalents, ending	<u>\$ 76,460,831</u>

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

Operating income	\$ 308,089,451
Adjustments to operations:	
Depreciation	74,800,445
Other nonoperating revenues (expenses)	779,556
Changes in assets and liabilities:	
Receivables, net	(3,332,377)
Notes and leases receivable	302,097
Prepays and other assets	(39,395)
Inventories	4,378,158
Vouchers payable and accrued liabilities	(1,423,244)
Retainage payable	(9,986,006)
Due to other units	252,410
Other liabilities	(53,295)
Deferred revenue	4,671,751
Compensatory time payable	(13,565)
Net cash provided by operating activities	<u>\$ 378,425,986</u>

Noncash operating, capital and related financing and investing activities:

Capital contribution received from other governments	\$ 360,000
Increase in the fair market value of investments	16,408,111

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Implementation of GASB 54 did not have an impact on the Authority's financial disclosures.

GASB Statement 59, *Financial Instruments Omnibus* ("GASB 59"), updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. Implementation of GASB 59 did not have an impact on the Authority's financial disclosures.

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

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

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

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

recorded at fair value based upon quoted market prices as of the Authority's fiscal year end, with the difference between the purchase price and market price being recorded as investment income.

Restricted Assets and Restricted Net Assets – Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended February 29, 2012, the Authority was in compliance with these covenants.

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

Inventories – Inventory is stated at the lower of cost or market value, using the first-in, first-out method. EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 29, 2012 multiplied by the cost per tag type.

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

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

All capital assets are stated at historical cost or estimated fair value at the date of purchase. Donated fixed assets are stated at their estimated fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from 3 to 45 years. Infrastructure is depreciated over a 30-year useful life. Equipment is depreciated over 3 to 20 years, depending on the type. Buildings are depreciated over 45 years. Amortization of the intangible license agreement is based upon the revenues received and will continue until the license is fully amortized.

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 \$620,463 during fiscal year 2012.

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.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

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, 2012 was \$850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

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

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

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

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

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

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

their regular rate of pay for hours worked in excess of 40 hours a week. Exempt employees can accumulate up to 240 hours of compensatory time. Upon termination, exempt employees are paid one-half of the compensatory time earned at the wage rate at the time of termination. Compensatory time is carried forward indefinitely.

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

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

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

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at a financial institution with no maximum for all non-interest bearing demand deposits, through December 31, 2012. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 29, 2012, the carrying amount of the Authority's demand and time deposits was negative \$2,113,637 and the balance per various financial institutions was \$0. The Authority’s deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance in accordance with the Public Funds Collateral Act.

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

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

AUTHORIZED INVESTMENTS

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

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.
2. Direct obligation of the State of Texas or its agencies and instrumentalities.
3. 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 United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
5. 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.
6. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
7. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act and is rated not less than A-1 or P-1, or equivalent by at least two nationally recognized agencies.
8. 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.
9. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
10. Public Funds Investment Pools as authorized by the Investment Act.

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value. The following is a summary of the Authority's cash and investments at February 29, 2012.

	Totals
Cash and Cash Equivalents	\$ 76,460,831
Investments	1,182,793,818
Total Cash & Investments	1,259,254,649

The table below indicates the fair value and maturity value of the Authority's investments as of February 29, 2012, summarized by security type. Also demonstrated are the percentages of the total portfolio, the weighted average modified duration in years, and the credit ratings for each summarized security type.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FHLMC	\$ 233,180,797	18.49%	\$ 232,950,000	0.6283	AA+/Aaa
FNMA	425,325,487	33.72%	424,765,000	1.0443	AA+/Aaa
<i>Commercial Paper</i>					
FCAR	164,331,242	13.03%	164,448,000	0.0257	A-1+/P-1
TMCC	165,425,057	13.11%	166,000,000	0.0627	A-1+/P-1
<i>Local Governments</i>					
Auburn Washington Utility	2,105,380	0.17%	1,865,000	0.0160	AA
Austin TX Rev 11A	2,131,940	0.17%	2,000,000	0.0227	AAA/Aaa
Bexar County, TX, GO	4,723,065	0.37%	4,500,000	0.0586	AA+/Aaa
Broward Cnty, FL Port FACS	14,295,736	1.13%	14,330,000	0.0304	AA-/Aa3
Burien Wash B	1,205,031	0.10%	1,160,000	0.0095	A1
California State GO	6,659,380	0.53%	6,500,000	0.0180	A-/A1
College Station, TX ISD	1,404,186	0.11%	1,280,000	0.0122	AA-/Aa2
College Station, TX Utility System	1,177,195	0.09%	1,115,000	0.0102	A+/Aa2
Connecticut State	1,000,000	0.08%	1,000,000	0.0000	AA/Aa3
Conroe TX Industrial Development Rev	5,634,709	0.45%	5,445,000	0.0503	AA-
Dallas, TX REF GO	2,283,400	0.18%	2,000,000	0.0163	AA+/Aa1
Denver, CO CIT	3,714,876	0.29%	3,540,000	0.0345	AAA/Aa1
Ellis County, TX, GO	2,860,218	0.23%	2,640,000	0.0226	Aa2
Frisco, TX G/O	1,169,405	0.09%	1,035,000	0.0069	AA/Aa1
Galveston County, TX	2,917,968	0.23%	2,775,000	0.0229	Aa1
Grayson County, TX	3,204,555	0.25%	3,040,000	0.0250	AA/Aa2
Greensboro, NC	2,257,200	0.19%	2,000,000	0.0197	AAA/Aaa
Harris Cnty, TX Hospital District	7,952,218	0.63%	7,370,000	0.0576	A/A2
Hillsborough County FLA Utility	14,631,088	1.17%	14,165,000	0.1088	AA+/Aa1
Houston, TX ISD	5,580,950	0.44%	5,000,000	0.0575	AAA/Aaa
Houston, TX Util Sys Rev	4,789,890	0.38%	4,500,000	0.0417	AA/Aa2
Houston TX Pub Improvement 2011B	992,660	0.08%	1,000,000	0.0016	AA/Aa2
Houston TX Utility	2,396,709	0.19%	2,100,000	0.0264	AA
Idaho Bond Bank Authority	4,710,937	0.37%	4,240,000	0.0355	Aa1
Katy TX ISD	2,282,590	0.18%	2,000,000	0.0168	AAA/Aaa
Mansfield, TX	4,440,960	0.35%	4,000,000	0.0374	AAA/Aaa
Maryland State CTFS Partnership	2,069,840	0.16%	2,000,000	0.0054	AA+/Aa1
Massachusetts DOT	4,066,404	0.32%	4,060,000	0.0043	Aa3
MET Washington DC	1,075,330	0.09%	1,000,000	0.0028	AA-/Aa3
Montgomery County, TX GO	3,928,155	0.31%	3,500,000	0.0384	AA/Aa1
New York, NY	5,035,300	0.40%	5,000,000	0.0023	AA/Aa2
New York State Dorm Authority Rev	3,028,650	0.24%	3,000,000	0.0018	AA/Aa2
New York State Urban Development Corp	16,681,515	1.32%	16,500,000	0.0116	AAA
North Texas Municipal Water District	2,917,347	0.23%	2,700,000	0.0220	AAA/Aa2
North TX TWY	3,861,200	0.31%	3,500,000	0.0379	AA-/Aa3
Northwest TX	2,234,280	0.18%	2,000,000	0.0196	Aaa
Ohio State Development Assistance	2,251,968	0.18%	2,220,000	0.0019	AA/Aa2
Oregon State ALT Engery Project	1,076,630	0.09%	1,000,000	0.0040	AA/Aa1
Oregon State ALT Engery Project	1,916,401	0.15%	1,780,000	0.0128	AA+/Aa1

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Pearland, TX	1,154,034	0.09%	1,075,000	0.0089	AA-/Aa2
Red River TX ED	2,637,831	0.21%	2,535,000	0.0285	Aa3
Round Rock TX ISD	2,155,600	0.17%	2,000,000	0.0106	Aaa
Salt Lake County, Utah Sales Tax Revenue	1,672,657	0.13%	1,630,000	0.0158	AAA
San Antonio, TX Build America Bonds	1,840,961	0.15%	1,635,000	0.0192	AAA/Aaa
San Antonio, TX Water Rev	1,925,050	0.15%	1,820,000	0.0205	AA/Aa1
San Antonio, TX Water Rev BAB	4,375,576	0.35%	4,090,000	0.0257	AA/Aa1
San Marcos, TX ISD	1,654,620	0.13%	1,500,000	0.0126	AAA/Aaa
Snohomish County, WA BAB	2,911,607	0.23%	2,760,000	0.0235	AA/Aa2
Sugar Land TX CTFS	5,845,716	0.46%	5,400,000	0.0615	AAA
Texas City, TX ISD	1,423,780	0.11%	1,285,000	0.0135	AA
Texas ST Tech University	1,854,483	0.15%	1,850,000	0.0180	AA
Travis County, TX GO	1,123,864	0.09%	1,115,000	0.0017	AAA/Aaa
Travis County, TX CTFS	1,646,034	0.13%	1,505,000	0.0134	AAA/Aaa
Virginia ST HSG Development Authority	2,385,628	0.19%	2,375,000	0.0174	AA+/Aa1
Williamson, Cnty, TX	2,924,544	0.23%	2,665,000	0.0203	AAA/Aa1
<i>Money Market Funds</i>					
MMF-HC/METRO	246,442	0.02%	246,442	N/A	AAAm/Aaa
MMF-TLRD	73,706,474	5.84%	73,706,474	N/A	AAAm/Aaa
MMF-TLRD TRUS	731,001	0.06%	731,001	N/A	AAAm/Aaa
MMF-TLRD TXMP	4,224,535	0.33%	4,224,535	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	1,261,368,286	100.00%	\$ 1,251,171,452		
<i>Demand and Time Deposits</i>	(2,113,637)				
Total Cash & Investments	\$ 1,259,254,649				

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 (2/14/12), no more than 50% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, the Health Insurance Fund, bond fund reserve accounts, capitalized interest funds, Toll Road Revenue, Toll Road Renewal and Replacement, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and Harris County and Metro Joint Deposit Escrow Funds, may be invested beyond 36 months. Additionally at least 15% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 29, 2012, the Authority was in compliance with all of these guidelines to manage interest rate risk.

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

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 29, 2012, all of the Authority's investments are held in the County's name.

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

FUND INVESTMENT CONSIDERATIONS

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

Fund Type	Investment Strategy	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Toll Road Project Funds	Matching/Barbell	1,800	\$ 429,502,000	570
Toll Road Debt Service	Matching	1,080	430,836,000	443
Toll Road Renewal/Replacement	Matching	2,160	168,640,000	1,280
Toll Road Bond Reserve	Matching	Maturity of the bonds	102,705,000	5,784
Harris Co/Metro Joint Escrow	Matching/Barbell	Interlocal agreement	40,580,000	4,413
Money Market Mutual Funds	N/A	N/A	78,908,452	N/A
			\$ 1,251,171,452	

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

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3. OTHER RECEIVABLES

Other receivables as of February 29, 2012 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$5,803,701 is reported net of allowance for doubtful accounts of \$91,828,208.

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 \$39,631,485 in deferred revenues for unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 29, 2012 are comprised of the following:

	<u>Outstanding March 1, 2011</u>	<u>Issued</u>	<u>Receipts</u>	<u>Outstanding February 29, 2012</u>
Sam Houston Race Park	\$ 106,138	\$ -	\$ (7,582)	\$ 98,556
Uptown Houston	608,174	-	(294,515)	313,659
TXDOT Highway 99	-	34,563,852	-	34,563,852
Notes receivable	<u>\$ 714,312</u>	<u>\$ 34,563,852</u>	<u>\$ (302,097)</u>	<u>\$ 34,976,067</u>

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 29, 2012 are comprised of the following:

Prepaid surety expense	\$ 441,966
Prepaid office expenses	<u>1,087,176</u>
Total	<u>\$ 1,529,142</u>

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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6. CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2012 was as follows:

	Balance March 1, 2011	Additions	Deletions	Transfers	Balance February 29, 2012
Land	\$ 37,555,220	\$ 5,776,167	\$ -	\$ 4,396	\$ 43,335,783
Right of way	268,002,364	225,050	(11,007,639)	-	257,219,775
Construction in progress	248,450,760	28,579,893	(36,803,506)	(125,436,465)	114,790,682
Total capital assets not depreciated	<u>554,008,344</u>	<u>34,581,110</u>	<u>(47,811,145)</u>	<u>(125,432,069)</u>	<u>415,346,240</u>
License agreement	238,140,451	475,200	-	-	238,615,651
Land improvements	4,346,766	746,208	-	-	5,092,974
Infrastructure	2,098,798,007	-	-	118,336,422	2,217,134,429
Other tangible assets	22,052,955	5,287	-	-	22,058,242
Buildings	15,816,102	311,316	(1,233,911)	561,920	15,455,427
Equipment	58,249,214	1,041,491	(1,025,787)	6,533,727	64,798,645
	<u>2,437,403,495</u>	<u>2,579,502</u>	<u>(2,259,698)</u>	<u>125,432,069</u>	<u>2,563,155,368</u>
Less accumulated depreciation/amortization for:					
License agreement	(2,778,750)	(2,707,500)	-	-	(5,486,250)
Land improvements	(734,262)	(200,953)	-	-	(935,215)
Infrastructure	(874,332,285)	(71,005,703)	-	-	(945,337,988)
Other tangible assets	(20,725,432)	(838,444)	-	-	(21,563,876)
Buildings	(2,387,700)	(328,998)	810,768	-	(1,905,930)
Equipment	(19,692,430)	281,153	691,869	-	(18,719,408)
	<u>(920,650,859)</u>	<u>(74,800,445)</u>	<u>1,502,637</u>	<u>-</u>	<u>(993,948,667)</u>
Total capital assets being depreciated, net	<u>1,516,752,636</u>	<u>(72,220,943)</u>	<u>(757,061)</u>	<u>125,432,069</u>	<u>1,569,206,701</u>
Total capital assets, net	<u>\$ 2,070,760,980</u>	<u>\$ (37,639,833)</u>	<u>\$ (48,568,206)</u>	<u>\$ -</u>	<u>\$ 1,984,552,941</u>

7. LONG-TERM LIABILITIES

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

Changes in the Authority's Long-Term Liabilities for fiscal year 2011-2012 were as follows:

	Outstanding March 1, 2011	Issued/ Increased	Paid/ Decreased	Outstanding February 29, 2012	Due Within One Year
Senior Lien Revenue Bonds	\$ 2,104,425,000	\$ 199,915,000	\$ (237,560,000)	\$ 2,066,780,000	\$ 44,405,000
Tax Bonds	583,270,000	-	(45,380,000)	537,890,000	47,645,000
Total Bond Principal	<u>2,687,695,000</u>	<u>199,915,000</u>	<u>(282,940,000)</u>	<u>2,604,670,000</u>	<u>92,050,000</u>
Unamortized Premium, Revenue Bonds	41,026,875	3,488,517	(8,421,450)	36,093,942	-
Unamortized Premium, Tax Bonds	27,171,884	-	(5,348,050)	21,823,834	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1995A	14,976,832	2,891,034	(9,515,000)	8,352,866	8,352,866
Unlimited Tax Series 1997	5,112,335	963,217	(1,660,000)	4,415,552	1,589,897
Deferred Amount on Refunding	(76,590,164)	(6,424,321)	24,451,090	(58,563,395)	-
Accrued Interest Payable	5,283,846	119,334,308	(119,561,629)	5,056,525	5,056,525
Total Bonds Payable	<u>2,704,676,608</u>	<u>320,167,755</u>	<u>(402,995,039)</u>	<u>2,621,849,324</u>	<u>107,049,288</u>
Derivative Instruments - interest rate swaps	42,580,963	41,368,911	-	83,949,874	-
Compensatory Time Payable	1,228,622	540,481	(761,746)	1,007,357	554,046
OPEB Obligation	13,281,171	2,825,698	-	16,106,869	-
Totals - Toll Road Fund Liabilities	<u>\$ 2,761,767,364</u>	<u>\$ 364,902,845</u>	<u>\$ (403,756,785)</u>	<u>\$ 2,722,913,424</u>	<u>\$ 107,603,334</u>

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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A. Outstanding Bonded Debt – February 29, 2012 – 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, 2012</u>
Senior Lien Revenue Bonds					
Refunding Series 2002	\$ 397,520,000	5.00-5.375	2002	2003-2024	\$ 146,145,000
Refunding Series 2004A	168,715,000	4.50-5.00	2004	2022-2033	168,715,000
Refunding Series 2004B	478,270,000	2.50-5.00	2004	2005-2018	161,860,000
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	265,205,000
Refunding Series 2007B	145,570,000	Floating	2007	2034-2036	145,570,000
Refunding Series 2008B	324,475,000	4.625-5.25	2008	2012-2047	324,475,000
Series 2009A	215,455,000	4.00-5.00	2009	2016-2038	215,455,000
Series 2009C	250,000,000	5.00	2009	2016-2049	250,000,000
Refunding Series 2010C	18,995,000	0.88-2.79	2010	2011-2016	18,550,000
Refunding Series 2010D	35,420,000	3.00-5.00	2010	2011-2030	35,360,000
Refunding Series 2011A	199,915,000	2.00	2011	2015-2021	199,915,000
Total Principal Senior Lien Revenue Bonds					2,066,780,000
Unamortized Premiums and Discounts					36,093,942
Total Senior Lien Revenue Bonds					<u>\$ 2,102,873,942</u>

<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, 2012</u>
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1994 A	\$ 59,925,000	6.50-8.00	1994	2008-2013	\$ 22,870,000
Refunding Series 1995 A - CAB	1,500,000	5.80-6.05	1995	2002-2012	125,000
Refunding Series 1997	150,395,000	5.00-5.125	1997	2014-2024	25,855,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	450,000
Refunding Series 2001	120,740,000	6.00	2001	2009-2014	65,445,000
Refunding Series 2002	42,260,000	4.00-5.25	2002	2009-2015	13,020,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	321,745,000
Refunding Series 2008A	76,240,000	3.25-5.00	2008	2011-2016	63,610,000
Refunding Series 2010B	25,410,000	0.77-2.09	2010	2011-2015	24,770,000
Total Tax Bonds					537,890,000
Unamortized Premiums and Discounts					21,823,834
Accretion of Discount - Capital Appreciation Bonds					12,768,418
Total Tax Bonds					<u>\$ 572,482,252</u>

B. Covenants and Conditions

The Senior Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds. The Authority has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 4.44 as of February 29, 2012.

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C. Debt Service Requirements

Total interest expense was \$123,752,002 for the fiscal year. The following are the debt service requirements for bonds payable:

<u>Fiscal Year</u>	<u>Principal 2/29/2012</u>	<u>Capital Appreciation Bonds</u>	<u>Principal Value At Maturity</u>	<u>Interest</u>	<u>Total</u>
2013	\$92,050,000	\$9,942,763	\$101,992,763	\$133,195,707	\$235,188,470
2014	105,315,000	2,825,655	108,140,655	122,612,305	230,752,960
2015	114,025,000	-	114,025,000	113,298,847	227,323,847
2016	95,505,000	-	95,505,000	108,652,147	204,157,147
2017	92,335,000	-	92,335,000	104,466,993	196,801,993
2018-2022	511,550,000	-	511,550,000	452,891,509	964,441,509
2023-2027	420,265,000	-	420,265,000	339,892,615	760,157,615
2028-2032	449,800,000	-	449,800,000	235,569,494	685,369,494
2033-2037	476,835,000	-	476,835,000	113,103,104	589,938,104
2038-2042	120,435,000	-	120,435,000	45,812,612	166,247,612
2043-2047	97,930,000	-	97,930,000	20,610,713	118,540,713
2048-2052	28,625,000	-	28,625,000	1,214,656	29,839,656
Total	<u>\$2,604,670,000</u>	<u>\$12,768,418</u>	<u>\$2,617,438,418</u>	<u>\$1,791,320,702</u>	<u>\$ 4,408,759,120</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, 2012, the unissued authorized bonds for the toll road project are \$15,148,000.

E. Defeasance of Debt

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 29, 2012, the outstanding principal balance of these defeased bonds was \$1,891,115,000.

F. Debt Issuances

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

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

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

On August 11, 2011, the County issued \$199,915,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2011A to refund and defease the County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2010A, and to pay the costs of such issuance. The annual interest rate is 2.0%. This issuance had a premium of \$3,488,517. Interest accrues semiannually and the bonds mature in 2021. The refunding resulted in no savings or economic benefit.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
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On August 17, 2011, the County pledged a \$23M Federal National Mortgage (FNMA) bond to Citibank to cover the collateral shortfall on the \$199,915,000 interest rate swap for the Series 2010A bonds. The FNMA bond pledged on May 24, 2011 was returned.

On August 22, 2011, the County recalled the \$23M FNMA bond pledged to Citibank on August 17, 2011 and replaced it with a \$30M Federal Home Loan Mortgage Company (FHLMC) bond.

On September 28, 2011, the County pledged a \$5M Federal Farm Credit Bank bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds. There was no change to the collateral pledged on August 1 and 11, 2011.

On October 14, 2011, the \$5M Federal Farm Credit Bank bond pledged to JP Morgan Chase on September 28, 2011 was returned.

On November 4, 2011, the County pledged a \$1M Federal Farm Credit Bank bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On November 22, 2011, the County pledged a \$1M Federal Farm Credit Bank bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On November 23, 2011, the County pledged a \$2M Federal Farm Credit Bank bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On December 9, 2011, the County pledged a \$15M of a Federal Home Loan Mortgage Company bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds. The \$14M previously pledged from the Federal Farm Credit Bank was returned.

On December 15, 2011, the County pledged a \$30M of a Federal Home Loan Mortgage Company (FHLMC) bond to Citibank to cover the collateral shortfalls of the interest rate swaps for the Series 2007B and 2011A bonds. This \$30M replaced a \$30M FHLMC bond that was pledged on August 22, 2011.

On January 4, 2012, the County pledged an additional \$2M of a Federal Home Loan Mortgage Company (FHLMC) bond to Citibank to cover the collateral shortfalls of the interest rate swaps for the Series 2007B and 2011A bonds.

On February 3, 2012, the County pledged an additional \$2M of a Federal Home Loan Mortgage Company (FHLMC) bond to Citibank to cover the collateral shortfalls of the interest rate swaps for the Series 2007B and 2011A bonds.

G. Commercial Paper

In addition to the outstanding long-term debt of the Toll Road Authority (“Toll Road”), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E (“Notes”) in an aggregate principal amount not to exceed \$200 million outstanding at any one time. As of February 29, 2012, the Toll Road has no outstanding commercial paper and there was no commercial paper activity during the year ended February 29, 2012.

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

H. Arbitrage Rebate Liability

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2012. As of February 29, 2012 there were no estimated liabilities for arbitrage rebate on enterprise debt.

I. Interest Rate Swap

The County entered an interest rate swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2011A and the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an interest rate swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

Terms:

	Citibank–Toll Road Authority, Series 2011A	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	\$199,915,000	\$72,785,000	\$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15 th day of each month	The 15 th day of February, May, August and November	The 15 th day of February, May, August and November
Collateral Threshold: (b)	(\$15,000,000) (c)	(\$15,000,000) (c)	(\$15,000,000) (d)
Fair Value as of 2/29/12:	(\$33,848,602)	(\$25,050,636)	(\$25,050,636)
Collateral Pledged:	\$20,000,000	\$14,000,000	\$15,000,000

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

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

(c) The County pledged a \$34 million FHLMC note with a \$50,000,000 par, at 1% to Citibank as collateral under the terms of the swap agreements related to the Toll Road Senior Revenue Refunding Bonds, Series 2011A and a portion of the Series 2007B.

(d) The County pledged a \$15 million FHLMC note with a \$50,000,000 par at 1% to JP Morgan as collateral under the terms of the swap agreements related to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B.

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

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Summary of GASB 53 Effectiveness Testing:

	Citibank–Toll Road Authority, Series 2011A	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Derivative Instrument	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap
Hedge Type	Cash Flow Hedge	Cash Flow Hedge	Cash Flow Hedge
Method of Effectiveness Testing	Dollar Offset	Consistent Critical Terms	Consistent Critical Terms
Result of Effectiveness Testing	Effective	Effective	Effective

Risks:

	Citibank–Toll Road Authority, Series 2011A	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk: Credit Ratings Moody's, S&P, and Fitch	A1, A, and A	A1, A, and A	Aa1, A+, 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 \$33,848,602, which is based on a fair market value calculation.	The exposure to the County is \$25,050,636, which is based on a fair market value calculation.	The exposure to the County is \$25,050,636, which is based on a fair market value calculation.

J. Subsequent Debt Related Activity

On June 1, 2012, the County pledged a \$1M Federal National Mortgage (FNMA) bond to Citibank to cover the collateral shortfalls of the interest rate swaps for the Series 2007B and 2011A bonds.

On June 29, 2012, the County pledged \$200,000 Federal Home Loan Mortgage Company bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On July 10, 2012, the County pledged \$500,000 Federal National Mortgage (FNMA) bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On July 11, 2012, the County pledged \$1M Federal National Mortgage (FNMA) bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On July 25, 2012, the County pledged a \$1M Federal National Mortgage (FNMA) bond to JP Morgan Chase to cover the collateral threshold shortfall on the \$72,785,000 interest rate swap for the Series 2007B bonds.

On August 9, 2012, the County issued \$60,415,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012A and \$139,500,000 Series 2012B to refund and defease the County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2011A, and to pay the costs of such issuance. Interest is payable monthly. The interest rate is the weekly SIFMA plus a spread. The bonds mature in 2021. The refunding resulted in no savings or economic benefit.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

8. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 29, 2012 were as follows:

Balance March 1, 2011	Earned	Taken/ Paid	Balance February 29, 2012	Due Within One Year
\$ 1,228,622	\$ 540,481	\$ (761,746)	\$ 1,007,357	\$ 554,046

9. RETIREMENT PLAN

Plan Description - The County provides retirement and disability benefits for all of its employees (excluding temporary) through a non-traditional, defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (“CAFR”) on a calendar-year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS enacted in 1991, effective January 1, 1992 the County selected a plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan’s 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2012 is 10.67%. The contribution rates for calendar years 2011 and 2010 were 9.82% and 11.31%, respectively.

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

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

Funding Policy - The County has elected the annually determined contribution rate (“ADCR”) plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using 9.82% for the months of the calendar year in 2011, and 10.67% for the months of the calendar year in 2012.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

The contribution rate payable by the employee members for 2011 and 2012 is the rate of 6% as adopted by Commissioner’s Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner’s Court within the options available in the TCDRS Act.

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

Annual Pension Cost - For the County’s fiscal year ended February 29, 2012, the annual pension cost for the TCDRS plan for its employees, including the Authority, was \$75,064,075 and the actual contributions for the Authority were \$3,209,309. (This excludes actuarial contributions of \$3,221,360 for Community Supervision, which is not considered a department or component unit of the County.) The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 report is the most recent valuation.

The assumptions summarized below include the following: (1) the assets for the County’s pension plan are held by TCDRS in two funds – the Employee Savings Fund (ESF) and the Subdivision Accumulation Fund (SAF). Based on expected investment returns of 7% for ESF and 9% for SAF, the assumed long-term rate of return on combined pension plan assets is 8%; (2) under the amortization method described below, it was assumed that payroll would grow at 4% per year.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.4 %	5.4 %	5.4 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information				
Accounting Year Ending	Total Annual Pension Cost	Authority Portion	Percentage of APC Contributed	Net Pension Obligation
2/29/12	\$ 75,064,075	\$3,209,309	100%	-
2/28/11	\$ 89,543,487	\$3,701,885	100%	-
2/28/10	\$ 84,946,672	\$3,685,317	100%	-

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/11
Actuarial Value of Assets	\$2,809,759,604
Actuarial Accrued Liability (AAL)	\$3,256,666,141
Unfunded Actuarial Accrued Liability (UAAL)	\$ 446,906,537
Funded Ratio	86.28%
Annual Covered Payroll (Actuarial)	\$ 794,141,978
UAAL as Percentage of Covered Payroll	56.28%

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, 2011, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,852
Active plan members	14,250
Number of participating employers	5

Summary of Significant Accounting Policies

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

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

Contributions

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

Retired Prior to March 1, 2002:

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

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

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

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% County contributions for retiree coverage and 50% for dependent coverage.

Employees Hired on or After March 1, 2007:

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

Effective March 1, 2012:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 29, 2012, plan members or beneficiaries receiving benefits contributed \$5.94 million, or approximately 13.3 percent of total benefits paid during the year. Participating employers contributed \$38.81 million. The total contributions for the year ended February 29, 2012 was \$44.75 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

THE EMPLOYER:

Annual OPEB Cost

For 2012, the County's annual OPEB cost (expense) was \$92,618,903 (including Toll Road of \$3,861,553) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 29, 2012 were as follows:

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

Annual Required Contribution	\$ 96,605,903
Add interest on Net OPEB Obligation	12,055,321
Less adjustment to Annual Required Contribution	(16,042,321)
Annual OPEB Cost	92,618,903
Less Contributions made	(38,812,133)
Change in Net OPEB Obligation	53,806,770
Net OPEB Obligation, beginning of the year	253,796,224
Net OPEB Obligation, end of the year	<u>\$ 307,602,994</u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2010	\$ 89,338,513	\$ 30,407,276	34%	\$ 198,932,991
2/28/2011	88,451,513	33,588,280	38%	253,796,224
2/29/2012	92,618,903	38,812,133	42%	307,602,994

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The net OPEB obligation for Emergency 911 and Community Supervision is \$468,194 and \$0 respectively for fiscal year 2011 and the net OPEB obligation for Emergency 911 and Community Supervision is \$595,798 and \$0 respectively at February 29, 2012. Toll Road's portion of the net OPEB obligation above is \$16,106,869.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2011 (most recent actuarial valuation) was as follows:

	All Participants	Toll Road Portion
Unfunded actuarial accrued liability (UAAL)	\$ 976,631,331	\$ 32,584,807
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 751,741,400	\$ 31,470,308
UAAL as a percentage of covered payroll	130%	104%

The "All Participants" column in the above table includes UAAL of \$1,355,567 for Emergency 911 and UAAL of \$14,780,305 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 AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

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, 2011, actuarial valuation, a 4.75% discount rate was used. The medical trend rates of 7% for 2012, and 6% for 2013 graded down to an ultimate rate of 5% by 2014 were used 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 Credit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Additional Disclosures

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

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

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

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

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

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 \$196,298,670.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**

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 \$250,000 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

Joint Deposit/Escrow Account

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

12. TRANSFERS AND ADVANCES

The Commissioners Court approved a \$120 million annual allocation for funding of a County thoroughfare program to increase general mobility and an additional \$13.2 million for the County to manage a non-toll bridge project for the Toll Road.

In September 2006, the Authority advanced \$26 million to the County's General Fund to cover the County's repayment of a long term note on behalf of the Harris County Sports & Convention Corporation. Repayment of the note plus interest by the Harris County-Houston Sports Authority to the County and subsequently to the Authority began in 2011 and will continue through 2020. The interfund borrowing was \$29 million at February 29, 2012.

In October 2008, Commissioners Court approved an interfund borrowing and line of credit from the Harris County Toll Road Authority to the Hurricane Ike Disaster Fund, not to exceed \$60 million. The borrowing and line of credit had a one-year maturity with principal and interest due at maturity with an option for Commissioners Court to extend the note for two additional years with principal and interest payable at maturity. During the fiscal year the note was extended for an additional year. The interfund borrowing was \$14 million at February 29, 2012.

13. REVENUE LEASES

Operating Leases

The Authority was the lessor in a lease for signage. In the current year, there was rent revenue recognized in the amount of \$7,200.

There are contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to \$11,700 in 2012.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

14. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”), amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. GASB 63 will be implemented by the Authority in fiscal year 2013 and the impact has not yet been determined.

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* (“GASB 64”), clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider and establishes when the effective hedging relationship continues and therefore should continue to be applied. GASB 64 will be implemented by the Authority in fiscal year 2013 and the impact has not yet been determined.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 will be implemented by the Authority in fiscal year 2014 and the impact has not yet been determined.

GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* (“GASB 66”), seeks to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuances of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. GASB 66 will be implemented by the Authority in fiscal year 2014 and the impact has not yet been determined.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012

GASB Statement 67, *Financial Reporting for Pension Plans* (“GASB 67”), replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and Required Supplementary Information (RSI) for both defined benefit and defined contribution plans. GASB 67 will be implemented by the Authority in fiscal year 2015 and the impact has not yet been determined.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 will be implemented by the Authority in fiscal year 2016 and the impact has not yet been determined.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2012**



REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 29, 2012
(Unaudited)**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2010	3/1/2009	\$ -	\$ 859,681,747	\$ 859,684,747	0%	\$ 766,400,980	112.2%
2011	3/1/2009	-	859,681,747	859,681,747	0%	722,468,180	119.0%
2012	3/1/2011	-	976,631,331	976,631,331	0%	751,741,400	129.9%

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 \$1,355,567 and \$14,780,305 respectively.

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2010	3/1/2009	\$ -	\$ 25,856,100	\$ 25,856,100	0%	\$ 34,886,412	74.1%
2011	3/1/2009	-	25,856,100	25,856,100	0%	31,555,121	81.9%
2012	3/1/2011	-	32,584,807	32,584,807	0%	31,470,308	103.5%

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS
 February 29, 2012
 (Unaudited)**

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Value of Assets	\$2,619,204,575	\$2,739,687,861	\$2,809,759,604
Actuarial Accrued Liability (AAL)	\$2,978,320,920	\$3,123,164,193	\$3,256,666,141
Unfunded Actuarial Accrued Liability (UAAL)	\$ 359,116,345	\$ 383,476,332	\$ 446,906,537
Funded Ratio	87.94%	87.72%	86.28%
Annual Covered Payroll (Actuarial)	\$ 882,729,740	\$ 849,143,883	\$ 794,141,978
UAAL as Percentage of Covered Payroll	40.68%	45.16%	56.28%

OTHER INFORMATION

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

Component/Segment	2008	2009	2010	2011	2012
Hardy Toll Road-North	16,938,676	16,744,345	16,675,453	16,953,587	17,668,305
Hardy Toll Road-South	20,975,028	19,876,515	20,453,863	20,422,457	20,331,672
Sam Houston Tollway-South	70,584,503	64,640,311	67,090,295	67,798,603	69,947,937
Sam Houston Tollway-Central	56,124,887	53,294,082	54,839,139	55,851,055	57,501,489
Sam Houston Tollway-North	65,373,379	63,185,142	66,125,261	68,303,640	71,226,681
Sam Houston Ship Channel Bridge	13,263,584	12,121,030	13,325,844	13,437,267	14,844,574
Sam Houston Tollway-North/East (a)	-	-	-	77,277	13,014,261
Sam Houston Tollway-East	20,166,224	20,035,646	20,232,715	20,578,112	21,976,447
Sam Houston Tollway-South/East	27,928,955	26,821,418	27,619,521	27,897,817	28,301,887
Sam Houston Tollway-South/West	34,769,529	31,883,756	32,531,986	32,468,990	33,005,541
Westpark Tollway	45,961,833	42,023,500	39,287,894	39,534,868	41,234,056
Spur 90A / Fort Bend Parkway Extension	3,645,128	3,322,965	3,294,631	3,121,672	3,182,925
Katy Managed Lanes (b)	-	-	9,769,172	14,219,063	16,071,614
Total	375,731,726	353,948,710	371,245,774	380,664,408	408,307,389

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

(b) Katy Managed Lanes opened in April 2009.

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

Toll Rate Schedule Effective as of September 11, 2010

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

Toll Rate Schedule Effective as of September 12, 2009

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

Toll Rate Schedule Effective as of September 3, 2007

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS

Toll Road Selected Financial Information

**Schedule 3
(Unaudited)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Operating Revenues					
Toll revenues	\$ 428,867,531	\$ 442,015,417	\$ 455,547,954	\$ 481,346,283	\$ 519,296,886
Intergovernmental revenues	1,286,116	994,397	1,164,416	851,964	6,056,459
Total Operating Revenues	<u>430,153,647</u>	<u>443,009,814</u>	<u>456,712,370</u>	<u>482,198,247</u>	<u>525,353,345</u>
Operating Expenses					
Salaries	46,510,889	53,515,886	55,466,068	51,442,644	49,453,565
Materials and supplies	11,650,933	8,072,061	12,824,260	9,959,147	9,593,144
Services and fees	30,121,112	51,940,426	83,593,937	79,340,641	77,813,626
Utilities	3,296,602	2,866,487	3,397,126	3,200,664	3,350,959
Transportation and travel	866,963	1,075,839	1,113,147	1,110,594	2,252,155
Depreciation	62,889,174	67,034,586	70,734,726	72,934,209	74,800,445
Total Operating Expenses	<u>155,335,673</u>	<u>184,505,285</u>	<u>227,129,264</u>	<u>217,987,899</u>	<u>217,263,894</u>
Income from Operations	<u>274,817,974</u>	<u>258,504,529</u>	<u>229,583,106</u>	<u>264,210,348</u>	<u>308,089,451</u>
Nonoperating Revenues					
Investment income	49,023,466	41,253,022	33,581,716	13,528,156	39,551,494
Lease revenues	487,579	462,981	309,383	134,086	18,900
Other	4,405,838	599,298	1,644,187	818,557	779,556
Total Nonoperating Revenues	<u>53,916,883</u>	<u>42,315,301</u>	<u>35,535,286</u>	<u>14,480,799</u>	<u>40,349,950</u>
Nonoperating Expenses					
Interest expense	103,326,312	106,674,114	116,887,849	125,570,077	123,752,002
Amortization expense	14,309,780	14,555,334	15,804,220	17,140,081	18,084,253
Other	-	18,770	227,017	2,567,997	9,527,004
Total Nonoperating Expenses	<u>117,636,092</u>	<u>121,248,218</u>	<u>132,919,086</u>	<u>145,278,155</u>	<u>151,363,259</u>
Net Income Before Contributions and Transfers Out	211,098,765	179,571,612	132,199,306	133,412,992	197,076,142
Contributions (a)	3,059,437	9,197,722	7,221,460	3,063,258	360,000
Transfers In	21,769	-	9,982	1,071,318	280,745
Transfers Out (b)	(120,480,464)	(120,237,481)	(127,123,534)	(124,352,918)	(133,528,463)
Change in Net Assets	<u>\$ 93,699,507</u>	<u>\$ 68,531,853</u>	<u>\$ 12,307,214</u>	<u>\$ 13,194,650</u>	<u>\$ 64,188,424</u>

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

(b) Commissioners Court annually authorizes the transfer of Harris County Toll Road Authority net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility. The transfers were as follows: fiscal years 2008 - 2012 \$120 million.

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

Fiscal Year	(a)			(b)		Revenues		Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
	Project Revenues	Other Earnings	Debt Service Senior Lien Revenue Bonds	Coverage Ratio On Senior Lien Revenue Bonds	O & M Expenses	Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	
Ending								
2003	\$ 244,170,745	\$ 15,926,325	\$ 49,727,149	5.230	\$39,962,567	\$ 170,407,354	\$ 67,483,545	2.525
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434
2006	349,341,225	20,759,221	75,387,443	4.909	58,899,030	235,813,973	75,453,269	3.125
2007	392,992,697	41,647,566	92,115,954	4.718	74,627,072	267,897,237	75,413,268	3.552
2008	428,867,531	50,694,456	85,536,226	5.607	85,131,990	308,893,771	74,690,589	4.136
2009	442,015,417	42,667,384	99,699,357	4.861	104,062,177	280,921,267	73,760,398	3.809
2010	455,547,954	35,046,568	103,633,212	4.734	120,029,107	266,932,203	87,130,769	3.064
2011	481,346,283	14,507,528	128,566,976	3.857	121,195,357	246,091,478	85,923,975	2.864
2012	519,296,886	45,625,135	127,292,732	4.438	120,679,625	316,949,664	85,172,767	3.721

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

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

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

Component/Segment	2008	2009	2010	2011	2012
Hardy Toll Road-North	\$ 18,355,035	\$ 19,229,430	\$ 20,088,044	\$ 20,647,462	\$ 21,505,143
Hardy Toll Road-South (a)	22,382,009	23,279,910	24,009,520	24,408,303	24,348,763
Sam Houston Tollway-South	72,011,783	74,453,883	78,060,690	80,367,222	82,373,602
Sam Houston Tollway-Central	61,753,737	63,447,659	67,911,657	70,335,317	72,006,018
Sam Houston Tollway-North	73,733,209	76,515,321	79,383,506	83,017,591	85,762,105
Sam Houston Ship Channel Bridge	24,088,354	21,816,438	23,582,542	23,812,955	25,887,147
Sam Houston Tollway-East	23,551,201	25,109,264	25,348,655	26,081,234	27,770,951
Sam Houston Tollway-South/East	31,543,731	32,969,486	34,034,551	34,906,120	35,143,735
Sam Houston Tollway-South/West	34,661,216	36,374,354	37,167,979	37,595,333	37,747,467
Sam Houston Tollway-North/East (h)	-	-	-	72,709	14,429,942
Westpark Tollway	41,871,471	42,232,814	39,917,629	41,427,251	42,789,663
Spur 90A	2,375,092	2,489,264	3,189,139	3,892,055	3,926,481
Katy Managed Lanes (g)	-	-	3,838,968	6,715,041	8,015,765
Administration (b)	17,777,848	17,145,187	9,583,403	17,581,267	24,278,883
Fort Bend	1,717,492	1,591,854	1,439,845	1,494,072	1,609,560
IOP-NTTA (c)	1,605,179	2,242,924	3,316,047	3,831,919	5,181,048
IOP-TTA (d)	1,435,807	2,589,326	4,089,900	4,922,416	6,466,179
IOP-CTRMA (e)	4,367	33,842	40,768	47,487	54,434
Airport GT (f)	-	17,387	29,471	13,007	-
Airport Park (f)	-	477,074	515,640	177,521	-
Total	<u>\$ 428,867,531</u>	<u>\$ 442,015,417</u>	<u>\$ 455,547,954</u>	<u>\$ 481,346,282</u>	<u>\$ 519,296,886</u>

- (a) Includes toll revenues collected for the Airport Connector.
- (b) Consist of EZ tag fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.
- (c) Revenue includes amounts attributable to the interoperability program with NTTA. In August, 2003 Commissioners Court approved an interlocal agreement that allows for tag patrons to use both the HCTRA and NTTA toll systems. The figures shown represent NTTA tag holders' usage on the HCTRA system and may include revenue from any segment of the system.
- (d) Implemented in February 2006, an interlocal agreement allows for tag patrons to use both the HCTRA and the TxTag administered by the Texas Transportation Commission. The figures shown represent TxTag tag holders' usage on the HCTRA system and may include revenue from any segment of the system.
- (e) Implemented in January 2008, an interlocal agreement allows for tag holders' usage to the HCTRA, NTTA, Central Texas Regional Mobility and TxDOT toll collections systems within the state. The figure shown represents toll collections attributable to the interoperability program with CTRMA.
- (f) Airport GT and Park opened August 2008 and the program was discontinued in June 2010.
- (g) Katy Managed Lanes opened in April 2009.
- (h) Sam Houston Tollway North/East opened in February 2011.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS

Toll Road Bonds Debt Service Requirements

Schedule 6

(Unaudited)

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 47,645,000	\$ 37,261,610	\$ 84,906,610	\$ 44,405,000	\$ 95,934,097	\$ 140,339,097	\$ 92,050,000	\$ 133,195,707	\$ 225,245,707
2014	57,705,000	27,000,934	84,705,934	47,610,000	95,611,371	143,221,371	105,315,000	122,612,305	227,927,305
2015	62,770,000	20,085,667	82,855,667	51,255,000	93,213,180	144,468,180	114,025,000	113,298,847	227,323,847
2016	40,685,000	17,831,810	58,516,810	54,820,000	90,820,337	145,640,337	95,505,000	108,652,147	204,157,147
2017	26,380,000	16,419,012	42,799,012	65,955,000	88,047,980	154,002,980	92,335,000	104,466,992	196,801,992
2018	26,610,000	15,127,731	41,737,731	70,320,000	84,816,590	155,136,590	96,930,000	99,944,321	196,874,321
2019	27,445,000	13,742,050	41,187,050	72,175,000	81,461,376	153,636,376	99,620,000	95,203,426	194,823,426
2020	28,345,000	12,277,562	40,622,562	75,435,000	78,458,585	153,893,585	103,780,000	90,736,147	194,516,147
2021	29,285,000	10,764,775	40,049,775	78,475,000	75,294,340	153,769,340	107,760,000	86,059,115	193,819,115
2022	19,445,000	9,485,613	28,930,613	84,015,000	71,462,887	155,477,887	103,460,000	80,948,500	184,408,500
2023	20,240,000	8,449,022	28,689,022	63,105,000	67,958,193	131,063,193	83,345,000	76,407,215	159,752,215
2024	20,700,000	7,384,903	28,084,903	65,635,000	64,849,225	130,484,225	86,335,000	72,234,128	158,569,128
2025	21,165,000	6,297,059	27,462,059	68,250,000	61,626,856	129,876,856	89,415,000	67,923,915	157,338,915
2026	12,070,000	5,430,338	17,500,338	69,210,000	58,259,718	127,469,718	81,280,000	63,690,056	144,970,056
2027	12,090,000	4,796,138	16,886,138	67,800,000	54,841,162	122,641,162	79,890,000	59,637,300	139,527,300
2028	12,115,000	4,160,756	16,275,756	66,490,000	51,494,525	117,984,525	78,605,000	55,655,281	134,260,281
2029	12,135,000	3,524,194	15,659,194	70,360,000	48,102,006	118,462,006	82,495,000	51,626,200	134,121,200
2030	12,160,000	2,886,450	15,046,450	74,385,000	44,570,981	118,955,981	86,545,000	47,457,431	134,002,431
2031	12,185,000	2,247,394	14,432,394	86,570,000	40,662,318	127,232,318	98,755,000	42,909,712	141,664,712
2032	12,210,000	1,607,025	13,817,025	91,190,000	36,313,843	127,503,843	103,400,000	37,920,868	141,320,868
2033	12,240,000	965,213	13,205,213	95,150,000	31,750,156	126,900,156	107,390,000	32,715,369	140,105,369
2034	12,265,000	321,956	12,586,956	100,825,000	26,927,394	127,752,394	113,090,000	27,249,350	140,339,350
2035	-	-	-	104,285,000	22,068,554	126,353,554	104,285,000	22,068,554	126,353,554
2036	-	-	-	109,240,000	17,358,544	126,598,544	109,240,000	17,358,544	126,598,544
2037	-	-	-	42,830,000	13,711,288	56,541,288	42,830,000	13,711,288	56,541,288
2038	-	-	-	31,905,000	11,874,113	43,779,113	31,905,000	11,874,113	43,779,113
2039	-	-	-	33,545,000	10,237,863	43,782,863	33,545,000	10,237,863	43,782,863
2040	-	-	-	20,145,000	8,895,613	29,040,613	20,145,000	8,895,613	29,040,613
2041	-	-	-	20,810,000	7,855,100	28,665,100	20,810,000	7,855,100	28,665,100
2042	-	-	-	14,030,000	6,949,925	20,979,925	14,030,000	6,949,925	20,979,925
2043	-	-	-	17,885,000	6,116,031	24,001,031	17,885,000	6,116,031	24,001,031
2044	-	-	-	18,680,000	5,163,950	23,843,950	18,680,000	5,163,950	23,843,950
2045	-	-	-	19,520,000	4,168,950	23,688,950	19,520,000	4,168,950	23,688,950
2046	-	-	-	20,505,000	3,126,169	23,631,169	20,505,000	3,126,169	23,631,169
2047	-	-	-	21,340,000	2,035,613	23,375,613	21,340,000	2,035,613	23,375,613
2048	-	-	-	22,325,000	897,156	23,222,156	22,325,000	897,156	23,222,156
2049	-	-	-	3,100,000	237,500	3,337,500	3,100,000	237,500	3,337,500
2050	-	-	-	3,200,000	80,000	3,280,000	3,200,000	80,000	3,280,000
Total	\$537,890,000	\$ 228,067,212	\$ 765,957,212	\$ 2,066,780,000	\$ 1,563,253,489	\$3,630,033,489	\$2,604,670,000	\$ 1,791,320,701	\$4,395,990,701

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

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

<u>Issue</u>	<u>Date Issued</u>	<u>Outstanding Principal Amount at February 29, 2012</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1994A	April 1994	\$ 22,870,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1995A	September 1995	125,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	26,305,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2001	May 2001	65,445,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2002	November 2002	13,020,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	321,745,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2008A	December 2008	63,610,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2010B	November 2010	24,770,000
TOTAL		\$ 537,890,000

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

The Series 2002, Series 2004A, Series 2004B, Series 2005A, Series 2006A, Series 2007A, Series 2007B, and Series 2008B, Series 2009A, Series 2009C, Series 2010C, Series 2010D, and Series 2011A are referred to as the “Senior Lien Revenue Bonds”.

<u>Issue</u>	<u>Outstanding Principal Amount at February 29, 2012</u>
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2002	\$ 146,145,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004A	168,715,000
Refunding Bonds Series 2004B	161,860,000
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	265,205,000
Refunding Bonds Series 2007B	145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2008B	324,475,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2009A	215,455,000
Refunding Bonds Series 2009C	250,000,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2010C	18,550,000
Refunding Bonds Series 2010D	35,360,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2011A	<u>199,915,000</u>
TOTAL	<u><u>\$ 2,066,780,000</u></u>

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2012-2013**

**Schedule 9
(Unaudited)**

On March 13, 2012 the Commissioners Court adopted the budget for the County for the Fiscal Year 2012-2013. The Fiscal Year 2013 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2012-2013 Budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2012	\$ 145,954,000
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	907,692,298
Charges for Services	190,405,616
Fines and Forfeitures	17,881,860
Intergovernmental Revenues	35,618,948
Interest	707,500
Other	41,259,346
Total Cash and Estimated Revenues	<u>\$ 1,339,519,568</u>

Appropriations:	
Current Operating Expenses	\$ 1,329,086,633
Capital Outlay:	
Roads	8,852,227
Parks	1,450,708
Office/Courts	130,000
Total Appropriations	<u>\$ 1,339,519,568</u>

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

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 29, 2012 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	\$ 166,942,150
Permanent Improvements	33,150,006
Flood Control	174,447,402
Reliant Park	13,408,254
Total	<u>\$ 387,947,812</u>

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

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value		M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2003	\$177,809,114	\$ 30,171,225	\$ 31,764,643	\$ 176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.34221	0.06018	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756		0.33918	0.05321	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265		0.33815	0.05108	0.38923
2010	316,949,419	54,044,038	85,902,801	285,090,656		0.33401	0.05823	0.39224
2011	307,139,208	51,636,041	85,743,093	273,032,156		0.33401	0.05404	0.38805
2012	313,475,950	51,539,733	88,299,285	276,716,398		0.33444	0.05673	0.39117

- (a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of \$160,000 (\$156,240 prior to 2008).
- (b) HCAD tax supplement as of February 1 of the tax year.
- (c) HCAD tax supplement as of January 29 of the tax year.

Source: Harris County Appraisal District.

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

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

LAST TEN FISCAL YEARS

Schedule 12

(Unaudited)

(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 682,975	\$ 682,666	\$ 657,498	96.3%	\$ 21,581	\$ 679,079	99.5%
2004	704,093	704,992	693,384	98.5	8,032	701,416	99.5
2005	793,759	762,204	740,302	93.3	17,841	758,143	99.5
2006	796,885	820,263	719,922	90.3	96,417	816,339	99.5
2007	887,598	904,085	793,835	89.4	105,903	899,738	99.5
2008	929,929	991,312	910,828	97.9	75,434	986,262	99.5
2009	1,089,141	1,085,143	981,807	90.1	96,630	1,078,437	99.4
2010	1,114,429	1,101,323	1,036,477	93.0	55,755	1,092,232	99.2
2011	1,058,623	1,050,905	987,684	93.3	51,110	1,038,794	98.8
2012	1,081,861	1,081,861	1,022,187	94.5	-	1,022,187	94.5

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

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)
Schedule 13
(Unaudited)

Taxpayers	2012			2003		
	2011 Taxable Valuations (a)	Rank	Percentage of Total 2011 Taxable Valuation (b)	2002 Taxable Valuations (a)	Rank	Percentage of Total 2002 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 2,835,690	1	1.02%	\$ 3,046,389	1	1.73%
Centerpoint Energy, Inc.	2,393,467	2	0.86	-		0.00
Shell Oil Company	2,319,116	3	0.84	1,287,819	4	0.73
Chevron Chemical Company	1,531,505	4	0.55	-		0.00
Hines Interests Ltd Partnership	1,180,205	5	0.43	976,536	6	0.55
Hewlett Packard Company	1,118,454	6	0.40	-		0.00
Crescent Real Estate	1,076,212	7	0.39	495,025	9	0.28
National Oilwell Inc	1,053,525	8	0.38	-		0.00
Equistar Chemicals LP	984,726	9	0.36	1,103,139	5	0.63
Houston Refining	948,896	10	0.34	-		0.00
Walmart	808,079	11	0.29	-		0.00
AT&T Mobility LLC	780,563	12	0.28	-		0.00
Lyondell Chemical	728,917	13	0.26	759,179	7	0.43
Amoco Chemical Company	577,210	14	0.21	-		0.00
Continental Airlines Inc. (d)	492,228	15	0.18	-		0.00
Houston Lighting and Power Company	-		0.00	2,012,039	2	1.14
Southwestern Bell Telephone	-		0.00	1,428,158	3	0.81
Oxy Vinyls LP	-		0.00	519,389	8	0.29
Compaq Computer Corporation	-		0.00	482,200	10	0.27
Chevron Phillips Chemical Company	-		0.00	463,732	11	0.26
Anhueser Busch Incorporated	-		0.00	436,378	12	0.25
Crescent Real Estate Equities	-		0.00	363,755	13	0.21
Trizechahn Allen Center LP	-		0.00	360,627	14	0.20
Lyondell-Citgo Refining Company	-		0.00	354,337	15	0.20
Total	\$ 18,828,793		6.79%	\$ 14,088,702		7.98%

Source: Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the County's total taxable value as of February 29, 2012.
- (c) Based on the County's total taxable value as of February 28, 2003.
- (d) Continental Airlines Inc. is now a wholly owned subsidiary of United Continental Holdings, Inc.

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

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	\$ 1,122,596,629
Unlimited Tax Debt	749,615,000
Flood Control	580,070,000
Toll Road Tax Bonds	537,890,000
Total	\$ 2,990,171,629
Less: Toll Road Tax Bonds	(537,890,000)
Total (Approximately 0.67% of 2011 Assessed Value)	\$ 2,452,281,629

(a) Excluding Flood Control District debt of \$100,020,000 paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

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

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 2002-03 through 2011-12.

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
2003	\$ 1,928,192	\$ 176,215,696	1.09%	3,557,055	\$ 542
2004	1,968,193	185,156,210	1.06	3,596,086	547
2005	2,258,539	194,263,945	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683
2007	2,856,915	225,237,250	1.27	3,886,207	735
2008	2,768,709	254,222,756	1.09	3,935,855	703
2009	2,981,996	282,177,265	1.06	3,984,349	748
2010	2,854,982	285,090,656	1.00	4,070,989	701
2011	2,925,447	273,032,156	1.07	4,092,459	715
2012	2,990,172	276,716,398	1.08	4,178,574	716

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

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

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 29,225	\$ 49,377	\$ 78,602	\$ 26,740	\$ 35,065	\$ 61,805	\$ 47,645	\$ 37,262	\$ 84,907	\$ 11,455	\$ 34,030	\$ 45,485	\$ 115,065	\$ 155,734	\$ 270,799
2014	49,995	46,784	96,779	17,458	35,924	53,382	57,705	27,001	84,706	11,805	33,492	45,297	136,963	143,201	280,164
2015	58,883	44,867	103,750	24,003	33,292	57,295	62,770	20,086	82,856	10,760	32,932	43,692	156,416	131,177	287,593
2016	60,907	42,615	103,522	23,878	32,438	56,316	40,685	17,832	58,517	9,785	32,420	42,205	135,255	125,305	260,560
2017	69,822	40,295	110,117	23,414	31,566	54,980	26,380	16,419	42,799	9,045	31,961	41,006	128,661	120,241	248,902
2018	67,496	37,430	104,926	28,127	30,746	58,873	26,610	15,128	41,738	9,450	31,530	40,980	131,683	114,834	246,517
2019	71,046	34,518	105,564	42,550	29,650	72,200	27,445	13,742	41,187	24,245	31,058	55,303	165,286	108,968	274,254
2020	65,241	31,370	96,611	40,995	27,491	68,486	28,345	12,277	40,622	40,100	29,791	69,891	174,681	100,929	275,610
2021	73,445	28,206	101,651	63,720	25,551	89,271	29,285	10,765	40,050	40,655	27,704	68,359	207,105	92,226	299,331
2022	96,670	24,866	121,536	61,455	23,416	84,871	19,445	9,486	28,931	45,170	25,664	70,834	222,740	83,432	306,172
2023	57,625	20,509	78,134	52,300	22,171	74,471	20,240	8,449	28,689	45,290	23,298	68,588	175,455	74,427	249,882
2024	53,851	18,012	71,863	31,470	18,908	50,378	20,700	7,385	28,085	46,605	21,033	67,638	152,626	65,338	217,964
2025	85,222	15,819	101,041	48,695	15,561	64,256	21,165	6,297	27,462	17,055	18,703	35,758	172,137	56,380	228,517
2026	41,339	11,739	53,078	43,075	12,640	55,715	12,070	5,430	17,500	33,255	17,838	51,093	129,739	47,647	177,386
2027	54,865	9,527	64,392	43,075	10,486	53,561	12,090	4,796	16,886	34,255	16,175	50,430	144,285	40,984	185,269
2028	55,540	7,078	62,618	43,075	8,333	51,408	12,115	4,161	16,276	35,280	14,462	49,742	146,010	34,034	180,044
2029	35,350	4,975	40,325	43,070	6,304	49,374	12,135	3,524	15,659	35,735	12,730	48,465	126,290	27,533	153,823
2030	24,125	3,125	27,250	32,645	4,275	36,920	12,160	2,886	15,046	36,205	10,975	47,180	105,135	21,261	126,396
2031	24,825	2,228	27,053	29,935	2,768	32,703	12,185	2,247	14,432	36,705	9,197	45,902	103,650	16,440	120,090
2032	25,575	1,307	26,882	29,935	1,384	31,319	12,210	1,607	13,817	37,225	7,362	44,587	104,945	11,660	116,605
2033	21,550	359	21,909	-	-	-	12,240	965	13,205	11,520	5,501	17,021	45,310	6,825	52,135
2034	-	-	-	-	-	-	12,265	322	12,587	12,095	4,925	17,020	24,360	5,247	29,607
2035	-	-	-	-	-	-	-	-	-	12,700	4,320	17,020	12,700	4,320	17,020
2036	-	-	-	-	-	-	-	-	-	13,335	3,685	17,020	13,335	3,685	17,020
2037	-	-	-	-	-	-	-	-	-	14,005	3,018	17,023	14,005	3,018	17,023
2038	-	-	-	-	-	-	-	-	-	14,705	2,318	17,023	14,705	2,318	17,023
2039	-	-	-	-	-	-	-	-	-	15,440	1,582	17,022	15,440	1,582	17,022
2040	-	-	-	-	-	-	-	-	-	16,210	810	17,020	16,210	810	17,020
Total	\$ 1,122,597	\$ 475,006	\$ 1,597,603	\$ 749,615	\$ 407,969	\$ 1,157,584	\$ 537,890	\$ 228,067	\$ 765,957	\$ 680,090	\$ 488,514	\$ 1,168,604	\$ 3,090,192	\$ 1,599,556	\$ 4,689,748

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

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

As of February 29, 2012, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1999, November, 2001, and November, 2007 remain unissued.

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

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	65,000	
Forensic Lab	80,000	
Family Law Center	<u>70,000</u>	
Total Limited Tax Bonds		\$ 248,000
Unlimited Tax:		
Road Bonds	<u>149,677</u>	
Total Unlimited Tax Bonds		149,677
Combination Unlimited Tax and Revenue:		
Toll Roads	<u>15,148</u>	
Total Unlimited Tax and Revenue Bonds		<u>15,148</u>
Total Harris County Ad Valorem Tax Bonds		<u>412,825</u>
Total Authorized but Unissued Bonds		<u><u>\$ 412,825</u></u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Harris County General Fund:										
Reserved	\$ 105,162	\$ 100,143	\$ 112,291	\$ 146,215	\$ 175,301	\$ 175,956	\$ 202,321	\$ 283,664	\$ 341,139	\$ -
Unreserved	214,160	250,939	203,684	175,581	128,418	192,616	166,726	59,063	(22,290)	-
Nonspendable	-	-	-	-	-	-	-	-	-	4,840
Restricted	-	-	-	-	-	-	-	-	-	280,566
Committed	-	-	-	-	-	-	-	-	-	2,120
Assigned	-	-	-	-	-	-	-	-	-	33,491
Unassigned	-	-	-	-	-	-	-	-	-	91,927
Total general fund	<u>\$ 319,322</u>	<u>\$ 351,082</u>	<u>\$ 315,975</u>	<u>\$ 321,796</u>	<u>\$ 303,719</u>	<u>\$ 368,572</u>	<u>\$ 369,047</u>	<u>\$ 342,727</u>	<u>\$ 318,849</u>	<u>\$ 412,944</u>

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

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

Full-time Equivalent Employees as of February 28/29

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administration of Justice	8,115	8,450	8,554	8,380 (a)	8,168	8,740	9,425	9,308	8,779	8,462
Parks	*	*	*	715	706	732	787	797	670	625
County Administration	2,627	2,720	2,787	2,726	2,871	3,024	3,339	3,161	3,032	2,901
Health and Human Services	*	*	*	1,613	1,604	1,706	1,796	1,718	1,467	1,385
Flood Control	289	331	342	312	333	325	354	374	335	308
Tax Administration	450	465	442	428	426	435	428	415	378	341
Roads and Bridges	752	817	837	782	779	807	856	914	597	561
Other *	2,050	2,287	2,441	*	*	*	*	*	*	*

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

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

Note: (1) As of February 29, 2012, it is estimated that approximately 2,639 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

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

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

The employer contributions to the System by the County for the fiscal years 2008 through 2012 are summarized as follows:

	FY2012	FY2011	FY2010	FY2009	FY2008
Employer Contributions	\$75,064,075	\$89,543,487	\$84,946,672	\$79,047,481	\$75,944,968