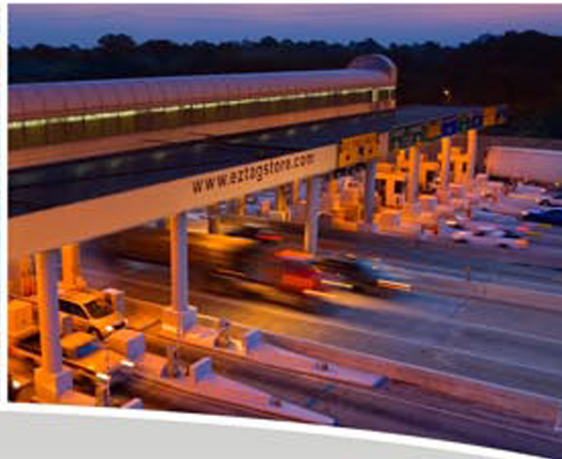




HARRIS COUNTY TOLL ROAD AUTHORITY



# HARRIS COUNTY TOLL ROAD AUTHORITY ENTERPRISE FUND

A Department of Harris County, Texas

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2013

Prepared By:  
Barbara J. Schott, CPA  
County Auditor

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

*Financial Statements As of February 28, 2013  
and for the Year Then Ended and Independent  
Auditors' Report*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
 BASIC FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED FEBRUARY 28, 2013**

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

August 28, 2013

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

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended February 28, 2013. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

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

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

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended February 28, 2013 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

## **PROFILE OF THE AUTHORITY**

### ***History***

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

authorized issuance of up to \$900 million in bonds to construct, operate and maintain toll roads in Harris County. The first two components of the toll road system, the Hardy Toll Road and the Sam Houston Tollway-West were completed in 1987 and 1990 respectively. In 1994, the County purchased the Jesse H. Jones Memorial Bridge toll facility from the Texas Turnpike Authority, which was renamed the Sam Houston Ship Channel Bridge. In 2004, the Harris County Toll Road Authority opened the Westpark Tollway; 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. Organized under the Public Infrastructures Department's Executive Director, Arthur L. Storey, Jr., the Authority is led by 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 (“Houston MSA”), the fifth largest metropolitan area in the United States, had 2.7 million payroll jobs in September 2012, more than the job counts of 33 states. The Houston MSA's gross area product in 2011 was \$442.4 billion, according to the Perryman Group. A 2008 *Kiplinger Personal Finance* article ranked the Houston metropolitan area as the number one place to live in the United States, based on criteria such as a strong economy, abundant jobs, reasonable living costs and plentiful entertainment amenities.

The Houston Association of Realtors reported a 27.2 percent increase in single family home sales in April 2013 compared with April 2012. Housing inventory reached a 13-year low of 3.6 months during the first two months of 2013. The housing inventory then dipped to 3.5 months in March, and then to 3.4 months in April 2013. In April 2013, the average sales price for a single-family home was \$253,907 and the median price was \$184,900.

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; first 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 12<sup>th</sup> 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 66 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, maintain current high bond ratings and continue to reduce the need for short-term borrowing under tax anticipation notes;
- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund; and
- A long term funding strategy for the Sports & Convention Corporation will be developed to provide appropriate resources to fund expenses related to Reliant Stadium and all of the other facilities at Reliant Park.

Authority funds available for investment under the County's investment program as of February 28, 2013 totaled \$1,224 million with investment earnings of \$27.1 million for the fiscal year. The average yield and maturity of such investments were 1.2% and 8.9 years.

The County provides retirement, disability, and death benefits for all of its employees (excluding temporary) through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The County has elected the annually determined contribution rate ("ADCR") plan provisions of the 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 2013 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 the Tomball Tollway.

### **ACKNOWLEDGMENTS**

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

### **REQUEST FOR INFORMATION**

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

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

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statement of net position of the Toll Road Authority (the "Authority" or "Toll Road") Enterprise Fund of Harris County, Texas (the "County"), as of February 28, 2013 and the related statement of revenues, expenses, and change in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Toll Road's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Toll Road as of February 28, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

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

## **Other Matters**

### Required Supplementary Information

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

### Other Information

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

*Deloitte's Touche LLP*

August 28, 2013



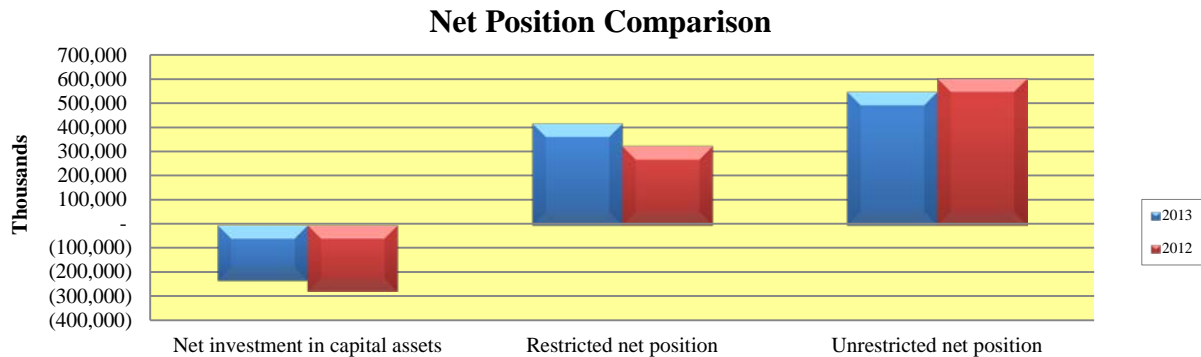
***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management’s Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

This section of the Toll Road Authority Enterprise Fund of Harris County financial statements presents management’s discussion and analysis (“MD&A”) of the financial performance of the Harris County Toll Road Authority (“Authority”) during the fiscal year ended February 28, 2013.

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 2013, the Authority issued \$550,770,000 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 position is comprised of the following:
  - (1) Net investment in capital assets, a deficit of \$229,967,050, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net position increased \$45,314,400 from the previous year.
  - (2) Net position of \$418,214,881 is restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net position increased by \$93,090,458 from the prior year due to an increase in the capital projects reserve and the addition of the operating reserve.
  - (3) Unrestricted net position of \$549,833,796 represents the portion available to meet ongoing obligations of the Authority. Unrestricted net position decreased \$55,829,804 from the previous year.



***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**FINANCIAL ANALYSIS**

The total net position of the Authority exceeded liabilities at February 28, 2013 by \$738,081,627 and \$655,506,573 for fiscal year ended 2012. Revenues exceeded expenses during the current year, increasing net position by \$82,575,054.

**Harris County Toll Road Authority Enterprise Fund  
Condensed Statement of Net Position  
February 28, 2013 and February 29, 2012  
(Amounts in thousands)**

	<b>2013</b>	<b>2012</b>
Current assets	\$ 1,275,263	\$ 1,228,801
Capital assets, net	1,993,301	1,984,553
Other non-current assets	89,515	148,315
Total assets	<u>3,358,079</u>	<u>3,361,669</u>
Deferred outflows of resources	<u>47,190</u>	<u>83,950</u>
Current liabilities	195,883	174,802
Non-current liabilities	2,392,052	2,531,360
Total liabilities	<u>2,587,935</u>	<u>2,706,162</u>
Deferred inflows of resources	<u>79,253</u>	<u>83,950</u>
Net position:		
Net investment in capital assets	(229,967)	(275,281)
Restricted	418,215	325,124
Unrestricted	549,833	605,664
Total net position	<u>\$ 738,081</u>	<u>\$ 655,507</u>

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

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

Another portion of the Authority's current fiscal year net position reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was a decrease in related debt of \$89,732,463, a decrease in unspent proceeds of \$53,166,234, while capital assets increased by \$8,748,171, causing an overall increase in net investment in its capital assets of \$45,314,400. Although the Authority's net investment in its capital assets is reported, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of the Authority's current fiscal year net position represents restricted net position, which are subject to external restrictions on how they may be used. The Authority's restricted net position is for capital projects and debt service.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

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

	<u>2013</u>	<u>2012</u>
Revenues:		
Operating revenues:		
Toll revenue	\$ 560,079	\$ 519,297
Intergovernmental revenue	634	6,056
Nonoperating Revenues:		
Investment income	27,068	39,551
Lease revenue	24	19
Miscellaneous revenue	766	780
Total revenues	<u>588,571</u>	<u>565,703</u>
Expenses:		
Operating Expenses:		
Salaries	49,587	49,454
Materials and supplies	9,937	9,593
Services and fees	81,450	77,814
Utilities	3,414	3,351
Transportation and travel	2,792	2,252
Depreciation and amortization	88,186	74,800
Nonoperating Expenses:		
Interest expense	99,123	123,752
Amortization expense	51,260	18,084
Loss on disposal of capital assets	299	9,527
Total expenses	<u>386,048</u>	<u>368,627</u>
Income before contributions and transfers	202,523	197,076
Contributions	-	360
Transfers in	87	281
Transfers out	<u>(120,036)</u>	<u>(133,528)</u>
Change in net position	82,574	64,189
Net position - beginning	<u>655,507</u>	<u>591,318</u>
Net position - ending	<u>\$ 738,081</u>	<u>\$ 655,507</u>

***Revenues and Contributions***

Total revenues and contributions for fiscal year 2013 were \$588,571,602, an increase of \$22,508,307 in revenues and contributions from fiscal year 2012 of \$566,063,295.

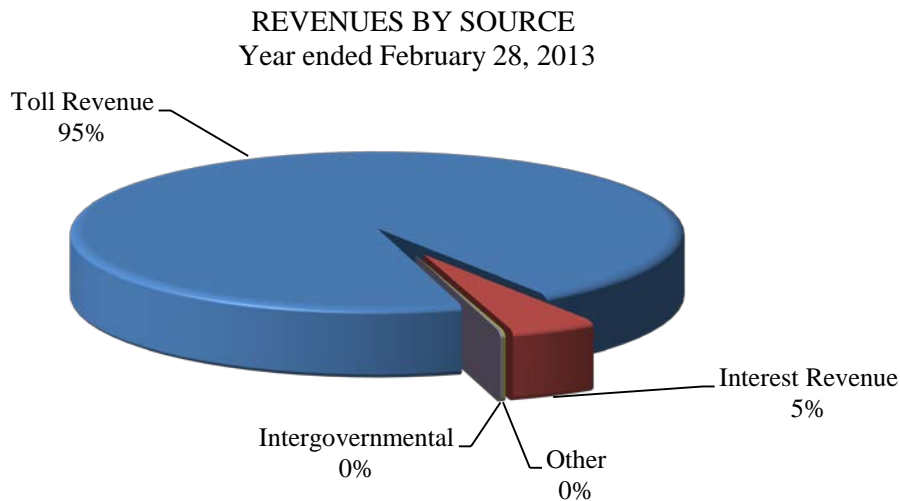
The largest revenue source is toll revenue of \$560,079,182 or 95% of total revenues and contributions. This revenue category increased \$40,782,296 from fiscal year 2012. This is primarily due to increased usage and rates at the toll plazas. The biggest increases were noted at the Sam Houston North (\$7.4M), Sam Houston South (\$5.2M), Sam Houston Central (\$4.2M), Westpark Tollway (\$4.0M), Sam Houston North/East (\$3.2M), Ship Channel Bridge (\$2.7M), Sam Houston South/East (\$2.4M), and Katy Managed

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

Lanes (\$2.3M). Also, the Hardy North, Hardy South, Sam Houston East, and Sam Houston South/West, each had increases of at least \$1.5M.

Other revenues totaled \$790,431 or less than 1% of total revenues and contributions. No contributions were received in the current year. Other revenue consists of lease revenue of \$24,100 and miscellaneous revenue of \$766,331. Intergovernmental revenue of \$633,607 is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2013 totaled \$27,068,382 and comprises 5% of total revenues and contributions. This revenue source decreased \$12,483,112 from fiscal year 2012 of \$39,551,494, partially due to a decrease in interest rates.



***Expenses***

For fiscal year ended February 28, 2013, expenses totaled \$386,047,272, and increased \$17,420,119 from fiscal year 2012 of \$368,627,153.

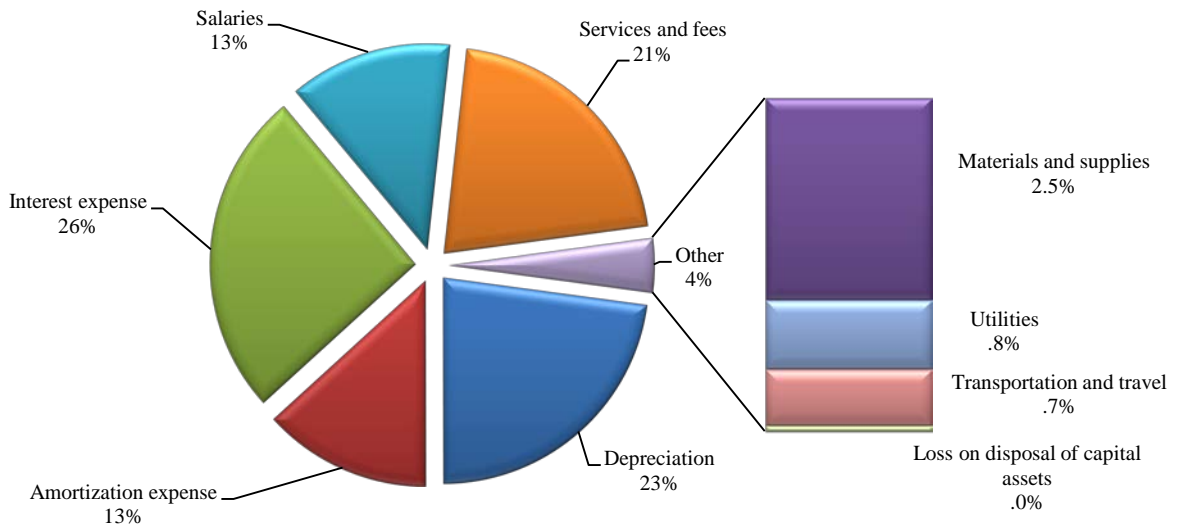
Interest expense of \$99,123,166 is the Authority's largest expense category and is 26% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries of \$49,586,864 or 13% of total expenses increased by \$133,299 from fiscal year 2012. Services and fees of \$81,449,680 or 21% of total expenses increased by \$3,636,054 primarily due to an increase in repairs and maintenance of the roadways.

The remaining 40% of expenses consisted of depreciation (23%), amortization expense (13%), and other expenses (4%) and consists of outlays relative to materials and supplies, utilities, transportation and travel, and loss on disposal of capital assets. All of these expense categories are necessary for the operation of the toll road.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management’s Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

**EXPENSES  
Year Ended February 28, 2013**



***Transfers***

Transfers consisted of transfers out of \$120,035,799 and transfers in of \$86,523. The largest component of transfers out was a \$120 million allocation to fund non-toll County road or enhancement projects. The transfers in was for a capital asset transfer.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

The Authority’s net investment in its capital assets depreciation as of February 28, 2013 and February 29, 2012, amounted to \$1,993,301,112 and \$1,984,552,941, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority’s capital assets, net of accumulated depreciation/amortization increased \$8,748,171 from fiscal year 2012.

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

	<b>Balance</b>	<b>Balance</b>
	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Land	\$ 34,666,095	\$ 43,335,783
Right-of-way	258,110,408	257,219,775
Construction in progress	200,872,861	114,790,682
License agreement	238,615,651	238,615,651
Land improvements	5,160,138	5,092,974
Infrastructure	2,223,551,795	2,217,134,429
Other tangible assets	22,058,242	22,058,242
Buildings	15,889,831	15,455,427
Equipment	76,407,108	64,798,645
	<u>3,075,332,129</u>	<u>2,978,501,608</u>
Less: Accumulated depreciation/amortization	(1,082,031,017)	(993,948,667)
Totals	<u>\$ 1,993,301,112</u>	<u>\$ 1,984,552,941</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 \$2,584,876,879. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	<b>Outstanding at</b>	<b>Outstanding at</b>
	<b>February 28, 2013</b>	<b>February 29, 2012</b>
Bonds payable	\$ 2,485,593,082	\$ 2,621,849,324
Derivative instruments - interest rate swaps	79,253,133	83,949,874
Compensatory time payable	1,036,855	1,007,357
OPEB obligation	18,935,809	16,106,869
Pollution remediation obligation	58,000	-
Totals	<u>\$ 2,584,876,879</u>	<u>\$ 2,722,913,424</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

***Toll Road Authority Enterprise Fund of Harris County, Texas  
Management's Discussion and Analysis  
Year Ended February 28, 2013  
(Unaudited)***

Tollway-West/North Section/Sam Houston Parkway to FM 1960 have enhanced mobility along that segment of the highway.

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



# **BASIC FINANCIAL STATEMENTS**

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**FEBRUARY 28, 2013**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 57,214,140
Investments	854,964,100
Receivables, net	65,722,571
Accrued interest receivable	3,700,551
Other receivables, net	6,772,729
Due from primary government	124,221
Inventories	983,208
Prepays and other assets	985,090
Restricted cash and cash equivalents	10,043,221
Restricted investments	274,753,545
Total current assets	<u>1,275,263,376</u>
Non-current assets:	
Investments, held as collateral by others	44,950,000
Advances to primary government	25,907,714
Notes receivable	90,975
Capital Assets:	
Land and construction in progress	493,649,364
License agreement, net of amortization	229,085,541
Other capital assets, net of depreciation	1,270,566,207
Deferred charges, net of amortization	18,565,978
Total non-current assets	<u>2,082,815,779</u>
Total assets	<u>3,358,079,155</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Accumulated decrease in fair value of hedging derivatives	47,190,237
Total deferred outflows of resources	<u>47,190,237</u>

**LIABILITIES**

Current liabilities:	
Vouchers payable	27,597,142
Accrued payroll and compensated absences	4,570,976
Retainage payable	3,997,103
Customer deposits	1,275,005
Due to primary government	581,901
Due to other units	1,588,430
Deferred revenue	43,249,862
Current portion of long-term liabilities	113,022,510
Total current liabilities	<u>195,882,929</u>
Non-current liabilities:	
Bonds payable	2,372,570,572
Pollution payable	58,000
Compensatory time payable	487,322
OPEB obligation	18,935,809
Total non-current liabilities	<u>2,392,051,703</u>
Total liabilities	<u>2,587,934,632</u>

**DEFERRED INFLOWS OF RESOURCES**

Accumulated decrease in fair value of hedging derivatives	79,253,133
Total deferred inflows of resources	<u>79,253,133</u>

**NET POSITION**

Net investment in capital assets	(229,967,050)
Restricted for capital projects	115,103,517
Restricted for debt service	277,911,935
Restricted for operating reserve per bond covenant	25,199,429
Unrestricted	549,833,796
Total net position	<u>\$ 738,081,627</u>

*See notes to the financial statements.*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

**OPERATING REVENUE**

Toll revenue	\$ 560,079,182
Intergovernmental	633,607
Total operating revenue	<u>560,712,789</u>

**OPERATING EXPENSES**

Salaries	49,586,864
Materials and supplies	9,937,433
Services and fees	81,449,680
Utilities	3,413,625
Transportation and travel	2,791,510
Depreciation and amortization	88,186,025
Total operating expenses	<u>235,365,137</u>

Operating income	<u>325,347,652</u>
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**NONOPERATING REVENUES**

Investment income	27,068,382
Lease income	24,100
Miscellaneous income	766,331
Total nonoperating revenues	<u>27,858,813</u>

**NONOPERATING EXPENSES**

Interest expense	99,123,166
Amortization expense	51,260,387
Loss on disposal of capital assets	298,582
Total nonoperating expenses	<u>150,682,135</u>

Income before transfers	202,524,330
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Transfers in	86,523
Transfers out	<u>(120,035,799)</u>

Change in net position	82,575,054
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Net position, beginning of year	<u>655,506,573</u>
Net position, end of year	<u>\$ 738,081,627</u>

*See notes to the financial statements.*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from tolls	\$ 560,809,580
Payments to employees	(46,679,574)
Payments to vendors	(94,092,378)
Receipts from miscellaneous reimbursements	766,331
Net cash provided by operating activities	<u>420,803,959</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Internal receipts from other funds	87,897
Receipt of monies advanced to primary government	17,043,712
Transfers to other funds	(119,949,276)
Net cash used for noncapital financing activities	<u>(102,817,667)</u>

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

Receipts from lease of capital assets	24,100
Purchases of capital assets	(116,756,995)
Proceeds from sale of capital assets	3,001,847
Principal and escrow paid on capital debt	(727,144,818)
Interest paid on capital debt	(118,363,100)
Proceeds from capital debt	594,624,695
Bond issuance cost	(3,395,185)
Net cash used for capital and related financing activities	<u>(368,009,456)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(1,725,589,327)
Proceeds from sale and maturity of investments	1,740,211,539
Interest received	26,197,482
Net cash provided by investing activities	<u>40,819,694</u>
Net change in cash and cash equivalents	(9,203,470)
Cash and cash equivalents, beginning	76,460,831
Cash and cash equivalents, ending	<u>\$ 67,257,361</u>

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

Operating income	\$ 325,347,652
Adjustments to operations:	
Depreciation and amortization	88,186,025
Other nonoperating revenues (expenses)	766,331
Changes in assets and liabilities:	
Receivables, net	(3,842,826)
Notes and leases receivable	321,240
Prepays and other assets	544,052
Inventories	1,631,188
Vouchers payable and accrued liabilities	2,391,233
Retainage payable	1,532,470
Due to other units	253,736
Other liabilities	(37,530)
Pollution Payable	58,000
Deferred revenue	3,618,377
Compensatory time payable	34,011
Net cash provided by operating activities	<u>\$ 420,803,959</u>

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

Increase in fair value of hedging derivatives	\$ 32,062,896
Increase in the fair market value of investments	6,496,037
Purchase of capital assets on account	9,966,309

*See notes to the financial statements.*

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

GASB Statement 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. Implementation of GASB 60 did not have an impact on the Authority’s financial disclosures.

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. Implementation of GASB 62 is reflected in the notes to the financial statements.

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. Implementation of GASB 63 is reflected in the financial statements.

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. Implementation of GASB 64 did not have an impact on the Authority’s financial disclosures.

**Basis of Presentation and Measurement Focus**- The accompanying basic financial statements have been prepared on the full accrual basis of accounting as prescribed by the GASB. Full accrual accounting uses a flow of economic resources measurement focus.

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

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

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

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

***Restricted Assets and Restricted Net Position***– Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended February 28, 2013, the Authority was in compliance with these covenants.

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

***Inventories*** – Inventory is stated at the lower of cost or market value, using the first-in, first-out method. EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 28, 2013 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.

On December 17, 2002, the Commissioners Court authorized a tri-party agreement among Harris County (acting through the Harris County Toll Road Authority), Texas Department of Transportation, and Federal Highway Administration to participate in the reconstruction portion of the IH10 Katy Freeway. Under this

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

agreement, the Authority funded \$237.5 million for the license to the real property for the right to operate the Toll Facility; and paid an additional \$12.5 million for the design and construction, and other allowable expenses related to the Toll Facility. The Toll Facility may revert to the State when the County has been fully paid the reimbursement from revenue or upon payment by the State to the County of an amount equal to the difference between the total amount of the reimbursement and the actual amount paid to the County as of the date of such reversion.

The 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 \$1,729,748 during fiscal year 2013.

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

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

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

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

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

The County has excess insurance coverage for workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2013 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 coverage, are paid into the County's Health Insurance Management Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

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

***Compensated Absences*** - Accumulated compensatory absences are recorded as an expense and liability as the benefit accrues for the employee.

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 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.

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

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

***Deferred 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/Inflows of Resources*** – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows consist of the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows consist of the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods.

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



**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2013**

**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, 2013. After which, FDIC insurance is available for funds deposited at any one financial institution up to a maximum of \$250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2013, the balance per various financial institutions was \$228,704,143. The Authority’s deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank of Dallas, in accordance with the Public Funds Collateral Act.

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

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

*AUTHORIZED INVESTMENTS*

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

1. Direct obligations of the United States, its agencies and instrumentalities.
2. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by, or backed by the full faith and credit of, the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the FDIC.
3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.
4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A or its equivalent by a nationally recognized investment rating firm.
5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County’s authority to invest funds in certificates of deposit and share certificates stated above, an

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

investment in certificates of deposit made in accordance with the following conditions is an authorized investment under Tex. Govt. Code Sec 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (“SEC”) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.

6. Fully collateralized repurchase agreements provided the County has on file a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County’s name and deposited at the time the investment is made with the County’s custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in this State. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of the flexible repurchase agreements (“flex repos”) provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.
7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity’s name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.
8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.
9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of County Commissioners to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County, an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov’t. Code Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and approval by the Finance Committee.

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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10. A SEC registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and approval by the Finance Committee.

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value. The following is a summary of the Authority's cash and investments at February 28, 2013.

	<b>Totals</b>
Cash and Cash Equivalents	\$ 57,214,140
Investments	854,964,100
Restricted Cash and Cash Equivalents	10,043,221
Restricted Investments	319,703,545
<b>Total Cash &amp; Investments</b>	<b>1,241,925,006</b>

The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2013, summarized by security type. Also demonstrated are the percentages of the total portfolio, the weighted average modified duration in years, and the credit ratings for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FFCB	\$ 73,921,520	5.97%	\$ 74,000,000	0.2059	AA+/Aaa
FHLB	163,795,950	13.24%	163,750,000	0.5620	AA+/Aaa
FHLMC	45,071,200	3.64%	45,000,000	0.1582	AA+/Aaa
FNMA	345,579,646	27.93%	345,150,000	1.0364	AA+/Aaa
<i>Commercial Paper</i>					
FCAR	35,962,323	2.91%	36,000,000	0.0103	A-1+/P-1
FCARII CP	11,160,543	0.90%	11,200,000	0.0061	A-1/P-1
GECC CP	1,602,652	0.13%	1,603,400	0.0003	A-1+/P-1
TCCI CP	52,979,227	4.28%	53,000,000	0.0097	A-1+/P-1
TMCC	197,806,562	15.99%	198,037,293	0.0590	A-1+/P-1
<i>Local Governments</i>					
Auburn Wash Utility System Rev BAB	2,123,564	0.17%	1,865,000	0.0157	AA
Austin TX Rev 11A	2,149,820	0.17%	2,000,000	0.0225	AAA/Aaa
Bexar County TX GO	4,788,945	0.39%	4,500,000	0.0587	AA+/Aaa
Broward Cnty FL Port FACS Rev	14,392,695	1.16%	14,330,000	0.0201	AA-/A2
Burien WA BAB Taxable GO	1,244,982	0.10%	1,160,000	0.0095	A1
California State Var Purpose GO BD	6,780,215	0.55%	6,500,000	0.0034	A/A1
College Station TX Independent School	1,399,962	0.11%	1,280,000	0.0117	AA-/Aa2

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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
College Station TX Utility System	1,163,581	0.09%	1,115,000	0.0098	A+/Aa2
Conn ST HSG Fin Auth	987,916	0.08%	995,000	0.0022	AAA/Aaa
Conroe TX Industrial Development Rev	5,905,814	0.48%	5,445,000	0.0513	AA-
Dallas TX Ref GO Bond	2,289,980	0.19%	2,000,000	0.0156	AA+/Aa1
Denver CO BAB	3,833,820	0.31%	3,540,000	0.0349	AAA/Aa1
Ellis Cnty TX GenL Oblig	2,945,030	0.24%	2,640,000	0.0134	Aa2
Franklin WI Taxable	5,405,029	0.44%	5,175,000	0.0039	Aa1
Frisco TEX GO	1,160,866	0.09%	1,035,000	0.0063	AA/Aa1
Galveston CNTY TX Pass Thru	2,874,623	0.24%	2,775,000	0.0216	Aa1
Grayson Cnty TX Pass Thru Toll	3,224,650	0.26%	3,040,000	0.0241	AA/Aa2
Greensboro NC Build America BD	2,262,820	0.19%	2,000,000	0.0192	AAA/Aaa
Hamilton TWP NJ BOA	1,138,113	0.09%	1,130,000	0.0023	AA
Hamilton TWP NJ BRD	1,524,940	0.12%	1,520,000	0.0042	AA
Harris Cnty TX Hosp Dist07A	8,172,628	0.66%	7,370,000	0.0565	A/A2
Hillsborough Cnty FL Util Rev	15,516,044	1.25%	14,165,000	0.1102	AA+/Aa1
Houston TX Independent School District	5,521,850	0.45%	5,000,000	0.0565	AA/Aa2
Houston TX University	4,717,485	0.38%	4,500,000	0.0402	AA/Aaa
Houston TX Pub Impt Ref 2011B	1,008,790	0.08%	1,000,000	0.0087	AA/Aa2
Houston TX Utility Sys Rev	2,434,530	0.20%	2,100,000	0.0260	AA
Idaho Bond Bank Auth Rev	4,843,522	0.39%	4,240,000	0.0353	Aa1
Katy TX Indpt Sch Dist BAB	2,227,590	0.18%	2,000,000	0.0158	AAA/Aaa
Louisville & Jefferson Cnty KY	21,282,792	1.72%	21,035,000	0.0131	SP1+/MIG1
Mansfield TX	4,413,680	0.36%	4,000,000	0.0362	AAA/Aaa
Maryland ST CTFS Partnership	2,102,580	0.17%	2,000,000	0.0041	AA+/Aa1
Massachusetts Dept Transportation	2,090,210	0.17%	2,075,000	0.0014	Aa3
Met Washington DC ARPTS AUTH	1,077,330	0.09%	1,000,000	0.0022	AA-/Aa3
Montgomery Cnty TX GO	3,986,500	0.32%	3,500,000	0.0384	AA/Aa1
N Orange Cnty CA Cmnty CLG Dist	2,520,925	0.20%	2,500,000	0.0088	AA/Aa1
New Britain CT BAB TXBL GO UNLTD	1,905,228	0.15%	1,800,000	0.0052	AA-/A2
New York ST Urban Dev Corp REV	1,519,785	0.12%	1,500,000	0.0010	AAA
North TX Mun Wtr Dist BAB	2,990,064	0.24%	2,700,000	0.0211	AAA/Aa2
North TX Tollway	4,028,185	0.33%	3,500,000	0.0393	AA-/A2
Northwest TX	2,237,120	0.18%	2,000,000	0.0192	Aaa
Ohio ST Dev Assistance REV BD	2,219,867	0.18%	2,220,000	0.0002	AA/Aa2
Onslow County NC LTD	3,079,878	0.25%	3,140,000	0.0092	A+/Aa3
Oregon Sy Alt Energy Proj Ser A	3,011,546	0.24%	2,780,000	0.0309	AA+/Aa1
Pearland TX REF-Perm IMP	1,163,247	0.09%	1,075,000	0.0087	AA-/Aa2
Port Auth NY NJ	14,937,973	1.21%	15,220,000	0.0562	AA-/Aa3
Red River TX ED FIN REV	2,669,997	0.22%	2,535,000	0.0285	Aa3
Rhode Island ST Econ Dev Corp	2,081,640	0.17%	2,000,000	0.0020	AA-/Aa3
Round Rock TX Indpt Sch Dist BA	2,178,170	0.18%	2,000,000	0.0097	AAA/Aaa
Salt Lake Cnty UT Sales Tax RE	1,698,167	0.14%	1,630,000	0.0158	AAA
San Antonio TX Build Amer BD	1,893,902	0.15%	1,635,000	0.0197	AAA/Aaa
San Antonio TX WTR REV	1,917,188	0.15%	1,820,000	0.0203	AA/Aa1
San Antonio TX WTR REV BAB	4,460,539	0.36%	4,090,000	0.0245	AA/Aa1
San Marcos TX I.S.D.	1,643,580	0.13%	1,500,000	0.0120	AAA/Aaa
Sious Falls SD Sales	1,445,786	0.12%	1,410,000	0.0020	AA-/Aa2

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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Snohomish Cnty WA Build Amer B	2,969,843	0.24%	2,760,000	0.0231	AA/Aa2
ST Louis CTY MO	1,767,881	0.14%	1,700,000	0.0030	Aa1
Sugar Land TX CTFS Oblig	5,929,686	0.48%	5,400,000	0.0616	AAA/Aaa
Texas City TX Indpt Sch Dist	1,444,404	0.12%	1,285,000	0.0134	AA
Texas State Tech Univ Rev Bonds	1,874,871	0.15%	1,850,000	0.0174	AA
Travis Cnty TX GO BD	1,131,770	0.09%	1,115,000	0.0009	AAA/Aaa
Travis Cnty TX Certificates of Obligation	1,647,734	0.13%	1,505,000	0.0130	AAA/Aaa
Virginia ST HSG Development Auth	2,453,101	0.20%	2,375,000	0.0174	AA+/Aa1
Virginia ST HSG DE	6,378,325	0.52%	6,500,000	0.0158	AAA/Aaa
Washington Cnty OR SCH	1,006,160	0.08%	1,000,000	0.0034	AA+/Aa1
WI PMA Levy & Aid Program TXBL	5,171,166	0.42%	5,150,000	0.0027	MIG1
Williamson County TX	2,909,301	0.24%	2,665,000	0.0191	AAA/Aa1
<i>Money Market Funds</i>					
MMF-HC/METRO	58,970,948	4.77%	58,970,948	N/A	AAAm/Aaa
MMF-TLRD TXMP	9,038,463	0.73%	9,038,463	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	1,237,168,959	100.00%	\$ 1,224,140,104		
<i>Outstanding items</i>	4,756,047				
<b>Total Cash &amp; Investments</b>	<b>\$ 1,241,925,006</b>				

**RISK DISCLOSURES**

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

According to the County investment policy, no more than 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 28, 2013, the Authority was in compliance with all of these guidelines to manage interest rate risk.

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

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

The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA 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 28, 2013, all of the Authority's investments are held in the County's name.

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

*FUND INVESTMENT CONSIDERATIONS*

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

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Toll Road Project Funds	Matching/Barbell	6	\$ 408,305,000	2.69
Toll Road Debt Service	Matching	6	430,100,693	2.07
Toll Road Renewal/Replacement	Matching	6	174,440,000	2.85
Toll Road Bond Reserve	Matching	Maturity of the bonds	102,705,000	15.05
Harris Co/Metro Joint Escrow	Matching/Barbell	Interlocal agreement	40,580,000	11.50
Money Market Mutual Funds	N/A	N/A	68,009,411	N/A
			<u>\$ 1,224,140,104</u>	

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

**3. OTHER RECEIVABLES**

Other receivables as of February 28, 2013 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of \$6,772,729 is reported net of allowance for doubtful accounts of \$109,842,105.

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 \$43,249,862 in deferred revenues for unearned EZ tag revenues.

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**4. NOTES RECEIVABLE**

Notes receivable as of February 28, 2013 are comprised of the following:

	<u>Outstanding</u> <u>March 1, 2012</u>	<u>Issued</u>	<u>Receipts</u>	<u>Outstanding</u> <u>February 28, 2013</u>
Sam Houston Race Park	\$ 98,556	\$ -	\$ (7,581)	\$ 90,975
Uptown Houston	313,659	-	(313,659)	-
TXDOT Highway 99	34,563,852	-	(34,563,852)	-
Notes receivable	<u>\$ 34,976,067</u>	<u>\$ -</u>	<u>\$ (34,885,092)</u>	<u>\$ 90,975</u>

**5. PREPAIDS AND OTHER ASSETS**

Other assets as of February 28, 2013 are comprised of the following:

Prepaid surety expense	\$ 402,550
Prepaid office expenses	582,540
Total	<u>\$ 985,090</u>

**6. CAPITAL ASSETS**

Capital asset activity for the year ended February 28, 2013 was as follows:

	<u>Balance</u> <u>March 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>February 28, 2013</u>
Land	\$ 43,335,783	\$ 11,355,133	\$ (23,180,382)	\$ 3,155,561	\$ 34,666,095
Right-of-way	257,219,775	-	-	890,633	258,110,408
Construction in progress	114,790,682	107,595,469	(695,916)	(20,817,374)	200,872,861
Total capital assets not depreciated	<u>415,346,240</u>	<u>118,950,602</u>	<u>(23,876,298)</u>	<u>(16,771,180)</u>	<u>493,649,364</u>
License agreement	238,615,651	-	-	-	238,615,651
Land improvements	5,092,974	67,164	-	-	5,160,138
Infrastructure	2,217,134,429	-	(313,039)	6,730,405	2,223,551,795
Other tangible assets	22,058,242	-	-	-	22,058,242
Buildings	15,455,427	-	-	434,404	15,889,831
Equipment	64,798,645	2,105,767	(103,675)	9,606,371	76,407,108
	<u>2,563,155,368</u>	<u>2,172,931</u>	<u>(416,714)</u>	<u>16,771,180</u>	<u>2,581,682,765</u>
Less accumulated depreciation/amortization for:					
License agreement	(5,486,250)	(4,043,860)	-	-	(9,530,110)
Land improvements	(935,215)	(225,744)	-	-	(1,160,959)
Infrastructure	(945,337,988)	(75,005,990)	-	-	(1,020,343,978)
Other tangible assets	(21,563,876)	(2,908,378)	-	-	(24,472,254)
Buildings	(1,905,930)	(335,098)	-	-	(2,241,028)
Equipment	(18,719,408)	(5,666,955)	103,675	-	(24,282,688)
	<u>(993,948,667)</u>	<u>(88,186,025)</u>	<u>103,675</u>	<u>-</u>	<u>(1,082,031,017)</u>
Total capital assets being depreciated, net	<u>1,569,206,701</u>	<u>(86,013,094)</u>	<u>(313,039)</u>	<u>16,771,180</u>	<u>1,499,651,748</u>
Total capital assets, net	<u>\$ 1,984,552,941</u>	<u>\$ 32,937,508</u>	<u>\$ (24,189,337)</u>	<u>\$ -</u>	<u>\$ 1,993,301,112</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.

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Changes in the Authority's Long-Term Liabilities for fiscal year 2012-2013 were as follows:

	Outstanding March 1, 2012	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2013	Due Within One Year
Senior Lien Revenue Bonds	\$ 2,066,780,000	\$ 550,770,000	\$ (629,550,000)	\$ 1,988,000,000	\$ 58,090,000
Tax Bonds	537,890,000	-	(58,260,000)	479,630,000	47,090,000
Total Bond Principal	2,604,670,000	550,770,000	(687,810,000)	2,467,630,000	105,180,000
Unamortized Premium, Revenue Bonds	36,093,942	43,854,695	(13,247,859)	66,700,778	-
Unamortized Premium, Tax Bonds	21,823,834	-	(3,703,146)	18,120,688	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1995A	8,352,866	1,137,134	(9,490,000)	-	-
Unlimited Tax Series 1997	4,415,552	816,359	(1,725,000)	3,506,911	3,506,911
Deferred Amount on Refunding	(58,563,395)	(90,435,607)	74,298,108	(74,700,894)	-
Accrued Interest Payable	5,056,525	106,941,843	(107,662,769)	4,335,599	4,335,599
Total Bonds Payable	2,621,849,324	613,084,424	(749,340,666)	2,485,593,082	113,022,510
Derivative Instruments - interest rate swaps	83,949,874	121,607,762	(126,304,503)	79,253,133	-
Compensatory Time Payable	1,007,357	583,544	(554,046)	1,036,855	549,533
OPEB Obligation	16,106,869	2,828,940	-	18,935,809	-
Pollution Remediation Obligation	-	58,000	-	58,000	-
Totals - Toll Road Fund Liabilities	\$ 2,722,913,424	\$ 738,162,670	\$ (876,199,215)	\$ 2,584,876,879	\$ 113,572,043

**A. Outstanding Bonded Debt – February 28, 2013 – Pertinent Information by Issue**

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2013
<b>Senior Lien Revenue Bonds</b>					
Refunding Series 2004B	478,270,000	2.50-5.00	2004	2005-2015	\$ 54,970,000
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	261,135,000
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	321,175,000
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	18,100,000
Refunding Series 2010D	35,420,000	3.00-5.00	2010	2011-2030	35,295,000
Refunding Series 2012A	60,415,000	Floating	2012	2015-2018	60,415,000
Refunding Series 2012B	139,500,000	Floating	2012	2012-2021	139,500,000
Refunding Series 2012C	252,845,000	2.00-5.00	2012	2013-2033	252,845,000
Refunding Series 2012D	98,010,000	.40-1.68	2012	2013-2018	98,010,000
Total Principal Senior Lien Revenue Bonds					1,988,000,000
Unamortized Premiums and Discounts					66,700,778
Total Senior Lien Revenue Bonds					\$ 2,054,700,778



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Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2013
<b>Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)</b>					
Refunding Series 1994 A	\$ 59,925,000	6.50-8.00	1994	2008-2013	\$ 11,805,000
Refunding Series 1997	150,395,000	5.00-5.125	1997	2014-2024	26,005,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	150,000
Refunding Series 2001	120,740,000	6.00	2001	2009-2014	44,840,000
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	50,960,000
Refunding Series 2010B	25,410,000	0.77-2.09	2010	2011-2015	24,125,000
Total Tax Bonds					479,630,000
Unamortized Premiums and Discounts					18,120,688
Accretion of Discount - Capital Appreciation Bonds					3,506,911
Total Tax Bonds					<u>\$ 501,257,599</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 4.73 as of February 28, 2013.

**C. Debt Service Requirements**

Total interest expense was \$99,123,166 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal 2/28/2013	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2014	\$105,180,000	\$ 3,506,911	\$108,686,911	\$116,492,449	\$225,179,360
2015	116,565,000	-	116,565,000	107,622,794	224,187,794
2016	97,710,000	-	97,710,000	103,533,918	201,243,918
2017	93,585,000	-	93,585,000	100,581,288	194,166,288
2018	97,210,000	-	97,210,000	97,053,429	194,263,429
2019-2023	494,330,000	-	494,330,000	416,680,542	911,010,542
2024-2028	397,030,000	-	397,030,000	308,381,793	705,411,793
2029-2033	455,150,000	-	455,150,000	206,804,805	661,954,805
2034-2038	395,785,000	-	395,785,000	91,972,723	487,757,723
2039-2043	106,415,000	-	106,415,000	40,054,531	146,469,531
2044-2048	102,370,000	-	102,370,000	15,391,837	117,761,837
2049-2050	6,300,000	-	6,300,000	317,500	6,617,500
Total	<u>\$2,467,630,000</u>	<u>\$3,506,911</u>	<u>\$2,471,136,911</u>	<u>\$1,604,887,609</u>	<u>\$ 4,076,024,520</u>

**D. Unissued Authorized Bonds**

In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County's traffic problems by authorizing the County to issue up to \$900,000,000 of bonds secured by a pledged of its unlimited ad valorem taxing power. As of February 28, 2013, the unissued authorized bonds for the toll road project are \$15,148,000.

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**E. Defeasance of Debt**

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 28, 2013, the outstanding principal balance of these defeased bonds was \$2,356,659,000.

**F. Debt Issuances**

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 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 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 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 Securities Industry and Financial Markets Association (“SIFMA”) plus a spread. The bonds mature in 2021. The refunding resulted in no savings or economic benefit.

On August 29, 2012 the County recalled all collateral pledged to Citibank and replaced it with \$27.3 million of a FNMA note with a \$45 million par. The County also pledged \$10 million of a FNMA note with a \$12 million par amount to cover a collateral threshold shortfall on the \$199,915,000 interest rate swap for the 2012A & 2012B Series bonds and a portion and a portion of the \$72,785,000 interest rate swap for the 2007B Series bonds.

On August 29, 2012 the County recalled all collateral pledged to JP Morgan Chase N.A. and replaced it with \$17.7 million of a FNMA note with a \$45 million par amount to cover a collateral threshold shortfall on the \$72,785,000 interest rate swap for the 2007B Series bonds.

On October 25, 2012, the County issued \$252,845,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012C to refund and defease the County’s outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2002 and 2004A and Toll Road Unlimited Tax & Subordinated Lien Revenue Refunding Bonds, Series 2002 and to pay for the costs of such issuance. The annual interest rate is 2.0% to 5%. The issuance had a premium of \$43,854,695. Interest accrues semiannually and the bonds mature in 2033. The refunding resulted in a savings of \$102,076,783 due to a decrease in the cash flow requirements and had an economic gain of \$70,266,376.

On October 25, 2012, the County issued \$98,000,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012D to refund and defease the County’s outstanding Toll Road Senior Lien Revenue

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Refunding Bonds, Series 2004B-1 and to pay for the costs of such issuance. The annual interest rate is 0.400% to 1.68%. Interest accrues semiannually and the bonds mature in 2018. The refunding resulted in a savings of \$6,766,806 due to a decrease in the cash flow requirements and had an economic gain of \$6,495,177.

On January 9, 2013, Citibank released \$5 million of the \$27.3 million of the \$45 million FNMA note pledged as collateral on August 29, 2012.

On January 9, 2013, JP Morgan Chase N.A released \$5.05 million of the \$17.7 million of the \$45 million FNMA note pledged as collateral on August 29, 2012.

**G. Commercial Paper**

In addition to the outstanding long-term debt of the Authority, the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E (“Notes”) in an aggregate principal amount not to exceed \$200 million outstanding at any one time. As of February 28, 2013, the Toll Road has no outstanding commercial paper and there was no commercial paper activity during the year ended February 28, 2013.

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 2013. As of February 28, 2013 there were no estimated liabilities for arbitrage rebate on enterprise debt.

**I. Interest Rate Swap**

The County entered an interest rate swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2012A and Series 2012B, and the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an interest rate swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

Terms:

	Citibank–Toll Road Authority, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	\$199,915,000	\$72,785,000	\$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15 <sup>th</sup> day of each month	The 15 <sup>th</sup> day of February, May, August and November	The 15 <sup>th</sup> day of February, May, August and November

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Collateral Threshold: (b)	(\$15,000,000) (c)	(\$15,000,000) (c)	(\$15,000,000) (d)
Fair Value as of 2/28/13:	(\$32,392,891)	(\$23,430,121)	(\$23,430,121)
Collateral Pledged:	\$20,300,000	\$12,000,000	\$12,650,000

(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 \$22.3 million FNMA note with a \$45,000,000 par, at 1.125% and a \$10 million FNMA note with a \$12,000,000 par, at 1.32% to Citibank as collateral under the terms of the swap agreements related to the Toll Road Senior Revenue Refunding Bonds, Series 2012A&B and a portion of the Series 2007B.  
(d) The County pledged a \$12.65 million FNMA note with a \$45,000,000 par at 1.125% 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.

**Summary of GASB 53 Effectiveness Testing:**

	Citibank–Toll Road Authority, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Derivative Instrument	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap
Hedge Type	Cash Flow Hedge	Cash Flow Hedge	Cash Flow Hedge
Method of Effectiveness Testing	Dollar Offset	Consistent Critical Terms	Consistent Critical Terms
Result of Effectiveness Testing	Effective	Effective	Effective

**Risks:**

	Citibank–Toll Road Authority, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk: Credit Ratings Moody’s, S&P, and Fitch	A3, A, and A	A3, A, and A	Aa3, A+, and A+
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is \$32,392,891, which is based on a fair market value calculation.	The exposure to the County is \$23,430,122, which is based on a fair market value calculation.	The exposure to the County is \$23,430,122, which is based on a fair market value calculation.

**J. Subsequent Debt Related Activity**

On April 5, 2013, Citibank released \$3 million of the \$27.3 million of the \$45 million FNMA note pledged as collateral on August 29, 2012.

On April 8, 2013, JP Morgan Chase N.A released \$2.02 million of the \$17.7 million of the \$45 million FNMA note pledged as collateral on August 29, 2012.

On April 18, 2013 the County recalled the \$45 million FNMA note pledged on August 29, 2012 pledged to Citibank and replaced it with \$19.3 million of a FNMA note with a \$40 million par.

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On April 18, 2013 the County recalled the \$45 million FNMA note pledged on August 29, 2012 pledged to JP Morgan Chase N.A. and replaced it with \$10.63 million of a FNMA note with a \$40 million par.

On May 16, 2013 the County recalled the \$10 million FNMA note pledged on August 29, 2012 pledged to Citibank and replaced it with \$10 million of a FNMA note with a \$20 million par.

On June 4, 2013, the County recalled \$4 million of the collateral note pledged on April 18, 2013 to JP Morgan Chase N.A.

On June 5, 2013, the County recalled \$9 million of the collateral note pledged on April 18, 2013 to Citibank.

On July 2, 2013, the County recalled \$2.5 million of the collateral note pledged on April 18, 2013 and \$2.5 million of the collateral noted pledged on May 16, 2013 to Citibank.

On July 2, 2013, the County recalled \$3.095 million of the collateral note pledged on April 18, 2013 to JP Morgan Chase N.A.

**8. COMPENSATED ABSENCES PAYABLE**

Changes in long-term compensated absences for the year ended February 28, 2013 were as follows:

<u>March 1, 2012</u>	<u>Earned</u>	<u>Paid</u>	<u>February 28, 2013</u>	<u>One Year</u>
\$ 1,007,357	\$ 583,544	\$ (554,046)	\$ 1,036,855	\$ 549,533

**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 641 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 2013 is 11.59%. The contribution rates for calendar years 2012 and 2011 were 10.67% and 9.82%, 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

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contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

**Funding Policy** - The County has elected the annually determined contribution rate ("ADCR") plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using an actuarial determined rate of 10.67% for the months of the calendar year in 2012, and 11.59% for the months of the calendar year in 2013.

The contribution rate payable by the employee members for 2012 and 2013 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 Required Supplemental Information ("RSI") following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual Pension Cost** - For the County's fiscal year ended February 28, 2013, the annual pension cost for the TCDRS plan for its employees, including the Authority, was \$80,833,553 and the actual contributions for the Authority were \$3,349,266. (This excludes actuarial contributions of \$3,503,664 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, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 report is the most recent valuation.

The assumptions at December 31, 2012 summarized below included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period.

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<b>Actuarial Valuation Method</b>			
Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
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.			

<b>Harris County Trend Information</b>				
Accounting Year Ending	Total Annual Pension Cost	Authority Portion	Percentage of APC Contributed	Net Pension Obligation
2/28/13	\$ 80,833,553	\$3,349,266	100%	-
2/29/12	\$ 75,064,075	\$3,209,309	100%	-
2/28/11	\$ 89,543,487	\$3,701,885	100%	-

<b>Schedule of Funding (including Community Supervision)</b>	
Actuarial Valuation Date	12/31/12
Actuarial Value of Assets	\$2,900,822,171
Actuarial Accrued Liability (AAL)	\$3,415,552,240
Unfunded Actuarial Accrued Liability (UAAL)	\$ 514,730,069
Funded Ratio	84.93%
Annual Covered Payroll (Actuarial)	\$ 779,898,383
UAAL as Percentage of Covered Payroll	66.00%

**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:

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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%

Retired or Eligible to Retire Prior to March 1, 2012:

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, 2012 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.



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Employees Hired on or After March 1, 2007:

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

Effective March 1, 2012:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2013, plan members or beneficiaries receiving benefits contributed \$9.19 million, or approximately 19.4 percent of total benefits paid during the year. Participating employers contributed \$38.17 million. The total contributions for the year ended February 28, 2013 was \$47.36 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 2013, the County's annual OPEB cost (expense) was \$91,773,629 (including Toll Road of \$3,817,163) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2013 were as follows:

Annual Required Contribution	\$ 96,605,903
Add interest on Net OPEB Obligation	14,611,143
Less adjustment to Annual Required Contribution	(19,443,417)
Annual OPEB Cost	91,773,629
Less Contributions made	(38,172,557)
Change in Net OPEB Obligation	53,601,072
Net OPEB Obligation, beginning of the year	307,602,994
Net OPEB Obligation, end of the year	<u>\$ 361,204,066</u>

*Trend Information:*

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
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
2/28/2013	91,773,629	38,172,557	42%	361,204,066

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 \$595,798 and \$0 respectively for fiscal

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year 2012 and the net OPEB obligation for Emergency 911 and Community Supervision is \$716,073 and \$0 respectively at February 28, 2013. Toll Road's portion of the net OPEB obligation above is \$18,935,809.

*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)	\$ 727,014,798	\$ 30,519,362
UAAL as a percentage of covered payroll	134%	107%

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 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 economic assumptions used in this valuation implicitly assume a general inflation level of approximately 3%.

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.

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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 \$257,232,233.

### **Litigation and Claims**

The Authority is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such pending lawsuits and other claims are not presently determinable, management of the Authority believes that the resolution of these matters is not expected to have a materially adverse effect on the financial condition of the Authority. There are several civil cases that have resulted in settlements, consent decrees or are expected to have financial impact on the Authority in subsequent fiscal years.

### **Joint Deposit/Escrow Account**

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

A second amendment to the agreement between Metro and the County related to the Westpark Corridor has been approved by Commissioners' Court on May 7, 2013. This amendment calls for the closing of the joint bank account held as escrow for potential future liabilities to Metro. The monies held in this account will be

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2013**

released back to the County with the agreement that the County's obligation to reimburse Metro for certain increased project costs, to the Agreement shall remain in effect. The County's liability to Metro under the agreement shall not exceed the cap which is \$41 million and the escalation thereof. Ad valorem taxes are irrevocably pledged to the payment. Additionally, in this agreement Metro will grant two licenses and an easement to the County.

**12. TRANSFERS AND ADVANCES**

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

In September 2006, the Authority advanced \$26 million to the County's General Fund to cover the County's repayment of a long term note on behalf of the Harris County Sports & Convention Corporation. Repayment of the note plus interest by the Harris County-Houston Sports Authority to the County and subsequently to the Authority began in 2011 and will continue through 2020. The interfund borrowing was \$26 million at February 28, 2013.

**13. REVENUE LEASES**

**Operating Leases**

The Authority was the lessor in a lease of land for a construction staging area; there was lease revenue recognized in the amount of \$5,200. Also, the Authority was the lessor in a lease for signage. In the current year, there was lease revenue recognized in the amount of \$7,200.

There are contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to \$11,700 in 2013.

**14. RECENT ACCOUNTING PRONOUNCEMENTS**

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 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 28, 2013**

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.

GASB Statement 69, *Government Combinations and Disposals of Government Operations* (“GASB 69”), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. GASB 69 will be implemented by the Authority in fiscal year 2015 and the impact has not yet been determined.

GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”), provides guidance to improve accounting and reporting by state and local governments that extend and receive nonexchange financial guarantees. GASB 70 will be implemented by the Authority in fiscal year 2015 and the impact has not yet been determined.

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

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POST EMPLOYMENT BENEFITS**  
**SCHEDULE OF FUNDING PROGRESS**  
**February 28, 2013**  
**(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)
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%
2013	3/1/2011	-	976,631,331	976,631,331	0%	727,014,798	134.3%

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)
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%
2013	3/1/2011	-	32,584,807	32,584,807	0%	30,519,362	106.8%

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS  
 February 28, 2013  
 (Unaudited)**

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial Value of Assets	\$2,739,687,861	\$2,809,759,604	\$2,900,822,171
Actuarial Accrued Liability (AAL)	\$3,123,164,193	\$3,256,666,141	\$3,415,552,240
Unfunded Actuarial Accrued Liability (UAAL)	\$ 383,476,332	\$ 446,906,537	\$ 514,730,069
Funded Ratio	87.72%	86.28%	84.93%
Annual Covered Payroll (Actuarial)	\$ 849,143,883	\$ 794,141,978	\$ 779,898,383
UAAL as Percentage of Covered Payroll	45.16%	56.28%	66.00%



## **OTHER INFORMATION**

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

<b>Component/Segment</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Hardy Toll Road-North	16,744,345	16,675,453	16,953,587	17,668,305	18,433,687
Hardy Toll Road-South	19,876,515	20,453,863	20,422,457	20,331,672	21,237,338
Sam Houston Tollway-South	64,640,311	67,090,295	67,798,603	69,947,937	71,992,571
Sam Houston Tollway-Central	53,294,082	54,839,139	55,851,055	57,501,489	58,778,449
Sam Houston Tollway-North	63,185,142	66,125,261	68,303,640	71,226,681	74,244,587
Sam Houston Ship Channel Bridge	12,121,030	13,325,844	13,437,267	14,844,574	16,443,541
Sam Houston Tollway-North/East (a)	-	-	77,277	13,014,261	15,432,417
Sam Houston Tollway-East	20,035,646	20,232,715	20,578,112	21,976,447	22,701,821
Sam Houston Tollway-South/East	26,821,418	27,619,521	27,897,817	28,301,887	29,131,296
Sam Houston Tollway-South/West	31,883,756	32,531,986	32,468,990	33,005,541	33,477,773
Westpark Tollway	42,023,500	39,287,894	39,534,868	41,234,056	43,575,876
Spur 90A / Fort Bend Parkway Extension	3,322,965	3,294,631	3,121,672	3,182,925	3,456,988
Katy Managed Lanes (b)	-	9,769,172	14,219,063	16,071,614	19,320,467
Total	<u>353,948,710</u>	<u>371,245,774</u>	<u>380,664,408</u>	<u>408,307,389</u>	<u>428,226,811</u>

(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 8, 2012**

	<b>Attended Lanes</b>	<b>Exact Change Lanes</b>	<b>EZ Tag Lanes</b>
<u>Two Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.75-1.75	\$ 0.75-1.75	\$ 0.75-1.40
Sam Houston Ship Channel Bridge	\$ 2.00	\$ 2.00	\$ 1.50
Westpark	N/A	\$ 0.50-1.75	\$ 0.40-1.40
Hwy 90A	N/A	\$ 1.75	\$ 1.40
Katy Managed Lanes	N/A	N/A	\$ 0.30-2.20
<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	\$ 3.50-8.75	N/A	\$ 3.50-8.75
Westpark	N/A	N/A	\$ 1.00-8.75
Hwy 90A	N/A	N/A	\$ 3.50-8.75
Katy Managed Lanes	N/A	N/A	\$ 7.00

**Toll Rate Schedule Effective as of February 26, 2011**

	<b>Attended Lanes</b>	<b>Exact Change Lanes</b>	<b>EZ Tag Lanes</b>
<u>Two Axle Vehicles</u>			
Sam Houston Tollway and Hardy Toll Road Plazas	\$ 0.75-1.50	\$ 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 ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS**

**Toll Road Selected Financial Information**

**Schedule 3**

**(Unaudited)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Operating Revenues</b>					
Toll revenues	\$ 442,015,417	\$ 455,547,954	\$ 481,346,283	\$ 519,296,886	\$ 560,079,182
Intergovernmental revenues	994,397	1,164,416	851,964	6,056,459	633,607
<b>Total Operating Revenues</b>	<u>443,009,814</u>	<u>456,712,370</u>	<u>482,198,247</u>	<u>525,353,345</u>	<u>560,712,789</u>
<b>Operating Expenses</b>					
Salaries	53,515,886	55,466,068	51,442,644	49,453,565	49,586,864
Materials and supplies	8,072,061	12,824,260	9,959,147	9,593,144	9,937,433
Services and fees	51,940,426	83,593,937	79,340,641	77,813,626	81,449,680
Utilities	2,866,487	3,397,126	3,200,664	3,350,959	3,413,625
Transportation and travel	1,075,839	1,113,147	1,110,594	2,252,155	2,791,510
Depreciation	67,034,586	70,734,726	72,934,209	74,800,445	88,186,025
<b>Total Operating Expenses</b>	<u>184,505,285</u>	<u>227,129,264</u>	<u>217,987,899</u>	<u>217,263,894</u>	<u>235,365,137</u>
<b>Income from Operations</b>	<u>258,504,529</u>	<u>229,583,106</u>	<u>264,210,348</u>	<u>308,089,451</u>	<u>325,347,652</u>
<b>Nonoperating Revenues</b>					
Investment income	41,253,022	33,581,716	13,528,156	39,551,494	27,068,382
Lease revenues	462,981	309,383	134,086	18,900	24,100
Other	599,298	1,644,187	818,557	779,556	766,331
<b>Total Nonoperating Revenues</b>	<u>42,315,301</u>	<u>35,535,286</u>	<u>14,480,799</u>	<u>40,349,950</u>	<u>27,858,813</u>
<b>Nonoperating Expenses</b>					
Interest expense	106,674,114	116,887,849	125,570,077	123,752,002	99,123,166
Amortization expense	14,555,334	15,804,220	17,140,081	18,084,253	51,260,387
Other	18,770	227,017	2,567,997	9,527,004	298,582
<b>Total Nonoperating Expenses</b>	<u>121,248,218</u>	<u>132,919,086</u>	<u>145,278,155</u>	<u>151,363,259</u>	<u>150,682,135</u>
<b>Net Income Before Contributions and Transfers Out</b>	179,571,612	132,199,306	133,412,992	197,076,142	202,524,330
Contributions (a)	9,197,722	7,221,460	3,063,258	360,000	-
Transfers In	-	9,982	1,071,318	280,745	86,523
Transfers Out (b)	(120,237,481)	(127,123,534)	(124,352,918)	(133,528,463)	(120,035,799)
<b>Change in Net Assets</b>	<u>\$ 68,531,853</u>	<u>\$ 12,307,214</u>	<u>\$ 13,194,650</u>	<u>\$ 64,188,424</u>	<u>\$ 82,575,054</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 2009 - 2013 \$120 million.

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

<b>Fiscal Year</b>	<b>Project</b>	<b>(a)</b>			<b>(b)</b>		<b>Revenues</b>	<b>Coverage</b>
		<b>Other</b>	<b>Debt Service</b>	<b>Coverage Ratio</b>	<b>O &amp; M</b>	<b>Available For</b>		
<b>Ending</b>	<b>Revenues</b>	<b>Earnings</b>	<b>Senior Lien</b>	<b>On Senior Lien</b>	<b>Expenses</b>	<b>Unlimited</b>	<b>Service</b>	<b>Unlimited</b>
			<b>Revenue</b>	<b>Revenue Bonds</b>		<b>Subordinate</b>	<b>Tax Bonds</b>	<b>Subordinate</b>
			<b>Bonds</b>	<b>Revenue Bonds</b>		<b>Lien Tax Bonds</b>	<b>Tax Bonds</b>	<b>Lien Tax Bonds</b>
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
2013	560,079,182	27,721,804	124,176,493	4.734	126,516,150	337,108,343	84,627,966	3.983

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

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

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

<b>Component/Segment</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Hardy Toll Road-North	\$ 19,229,430	\$ 20,088,044	\$ 20,647,462	\$ 21,505,143	\$ 23,105,024
Hardy Toll Road-South (a)	23,279,910	24,009,520	24,408,303	24,348,763	26,149,867
Sam Houston Tollway-South	74,453,883	78,060,690	80,367,222	82,373,602	87,599,580
Sam Houston Tollway-Central	63,447,659	67,911,657	70,335,317	72,006,018	76,180,460
Sam Houston Tollway-North	76,515,321	79,383,506	83,017,591	85,762,105	93,172,078
Sam Houston Ship Channel Bridge	21,816,438	23,582,542	23,812,955	25,887,147	28,611,706
Sam Houston Tollway-East	25,109,264	25,348,655	26,081,234	27,770,951	29,687,922
Sam Houston Tollway-South/East	32,969,486	34,034,551	34,906,120	35,143,735	37,535,888
Sam Houston Tollway-South/West	36,374,354	37,167,979	37,595,333	37,747,467	39,284,945
Sam Houston Tollway-North/East (h)	-	-	72,709	14,429,942	17,649,388
Westpark Tollway	42,232,814	39,917,629	41,427,251	42,789,663	46,825,290
Spur 90A	2,489,264	3,189,139	3,892,055	3,926,481	4,405,854
Katy Managed Lanes (g)	-	3,838,968	6,715,041	8,015,765	10,331,568
Administration (b)	17,145,187	9,583,403	17,581,267	24,278,883	22,734,096
Fort Bend	1,591,854	1,439,845	1,494,072	1,609,560	1,687,739
IOP-NTTA (c)	2,242,924	3,316,047	3,831,919	5,181,048	6,810,725
IOP-TTA (d)	2,589,326	4,089,900	4,922,416	6,466,179	8,231,949
IOP-CTRMA (e)	33,842	40,768	47,487	54,434	75,103
Airport GT (f)	17,387	29,471	13,007	-	-
Airport Park (f)	477,074	515,640	177,521	-	-
Total	<u>\$ 442,015,417</u>	<u>\$ 455,547,954</u>	<u>\$ 481,346,282</u>	<u>\$ 519,296,886</u>	<u>\$ 560,079,182</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
2014	\$ 47,090,000	\$ 26,722,290	\$ 73,812,290	\$ 58,090,000	\$ 89,770,159	\$ 147,860,159	\$ 105,180,000	\$ 116,492,449	\$ 221,672,449
2015	62,770,000	20,085,667	82,855,667	53,795,000	87,537,127	141,332,127	116,565,000	107,622,794	224,187,794
2016	40,685,000	17,831,810	58,516,810	57,025,000	85,702,108	142,727,108	97,710,000	103,533,918	201,243,918
2017	26,380,000	16,419,012	42,799,012	67,205,000	84,162,276	151,367,276	93,585,000	100,581,288	194,166,288
2018	26,610,000	15,127,731	41,737,731	70,600,000	81,925,698	152,525,698	97,210,000	97,053,429	194,263,429
2019	27,445,000	13,742,050	41,187,050	71,735,000	79,230,239	150,965,239	99,180,000	92,972,289	192,152,289
2020	28,345,000	12,277,563	40,622,563	75,435,000	76,141,810	151,576,810	103,780,000	88,419,373	192,199,373
2021	29,285,000	10,764,775	40,049,775	78,475,000	72,559,065	151,034,065	107,760,000	83,323,840	191,083,840
2022	19,445,000	9,485,612	28,930,612	84,015,000	68,727,612	152,742,612	103,460,000	78,213,224	181,673,224
2023	20,240,000	8,449,022	28,689,022	59,910,000	65,302,794	125,212,794	80,150,000	73,751,816	153,901,816
2024	20,700,000	7,384,903	28,084,903	62,275,000	62,357,700	124,632,700	82,975,000	69,742,603	152,717,603
2025	21,165,000	6,297,059	27,462,059	64,735,000	59,292,294	124,027,294	85,900,000	65,589,353	151,489,353
2026	12,070,000	5,430,338	17,500,338	65,530,000	56,090,118	121,620,118	77,600,000	61,520,456	139,120,456
2027	12,090,000	4,796,138	16,886,138	63,930,000	52,860,312	116,790,312	76,020,000	57,656,450	133,676,450
2028	12,115,000	4,160,756	16,275,756	62,420,000	49,712,175	112,132,175	74,535,000	53,872,931	128,407,931
2029	12,135,000	3,524,194	15,659,194	66,080,000	46,528,406	112,608,406	78,215,000	50,052,600	128,267,600
2030	12,160,000	2,886,450	15,046,450	69,925,000	43,181,181	113,106,181	82,085,000	46,067,631	128,152,631
2031	12,185,000	2,247,394	14,432,394	81,915,000	39,465,693	121,380,693	94,100,000	41,713,087	135,813,087
2032	12,210,000	1,607,025	13,817,025	86,295,000	35,355,968	121,650,968	98,505,000	36,962,993	135,467,993
2033	12,240,000	965,213	13,205,213	90,005,000	31,043,281	121,048,281	102,245,000	32,008,494	134,253,494
2034	12,265,000	321,956	12,586,956	95,260,000	26,638,269	121,898,269	107,525,000	26,960,225	134,485,225
2035	-	-	-	104,285,000	22,068,554	126,353,554	104,285,000	22,068,554	126,353,554
2036	-	-	-	109,240,000	17,358,544	126,598,544	109,240,000	17,358,544	126,598,544
2037	-	-	-	42,830,000	13,711,288	56,541,288	42,830,000	13,711,288	56,541,288
2038	-	-	-	31,905,000	11,874,112	43,779,112	31,905,000	11,874,112	43,779,112
2039	-	-	-	33,545,000	10,237,863	43,782,863	33,545,000	10,237,863	43,782,863
2040	-	-	-	20,145,000	8,895,612	29,040,612	20,145,000	8,895,612	29,040,612
2041	-	-	-	20,810,000	7,855,100	28,665,100	20,810,000	7,855,100	28,665,100
2042	-	-	-	14,030,000	6,949,925	20,979,925	14,030,000	6,949,925	20,979,925
2043	-	-	-	17,885,000	6,116,031	24,001,031	17,885,000	6,116,031	24,001,031
2044	-	-	-	18,680,000	5,163,950	23,843,950	18,680,000	5,163,950	23,843,950
2045	-	-	-	19,520,000	4,168,950	23,688,950	19,520,000	4,168,950	23,688,950
2046	-	-	-	20,505,000	3,126,169	23,631,169	20,505,000	3,126,169	23,631,169
2047	-	-	-	21,340,000	2,035,612	23,375,612	21,340,000	2,035,612	23,375,612
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
<b>Total</b>	<b>\$479,630,000</b>	<b>\$ 190,526,958</b>	<b>\$ 670,156,958</b>	<b>\$ 1,988,000,000</b>	<b>\$ 1,414,360,651</b>	<b>\$3,402,360,651</b>	<b>\$2,467,630,000</b>	<b>\$ 1,604,887,609</b>	<b>\$4,072,517,609</b>

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

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

<u>Issue</u>	<u>Date Issued</u>	<u>Outstanding Principal Amount at February 28, 2013</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1994A	April 1994	\$ 11,805,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	26,155,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2001	May 2001	44,840,000
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	50,960,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2010B	November 2010	24,125,000
<b>TOTAL</b>		<u><u>\$ 479,630,000</u></u>



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

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

<u>Issue</u>	<u>Outstanding Principal Amount at February 28, 2013</u>
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004B	\$ 54,970,000
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	261,135,000
Refunding Bonds Series 2007B	145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2008B	321,175,000
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	18,100,000
Refunding Bonds Series 2010D	35,295,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2012A	60,415,000
Refunding Bonds Series 2012B	139,500,000
Refunding Bonds Series 2012C	252,845,000
Refunding Bonds Series 2012D	98,010,000
<b>TOTAL</b>	<b>\$ 1,988,000,000</b>

**TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS  
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2013-2014**

**Schedule 9  
(Unaudited)**

On February 26, 2013 the Commissioners Court adopted the budget for the County for the Fiscal Year 2013-2014. The Fiscal Year 2014 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2013-2014 Budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2013	\$ 240,000,000
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,006,023,000
Charges for Services	200,209,000
Fines and Forfeitures	18,173,000
Intergovernmental Revenues	34,357,000
Interest	1,931,000
Other	45,800,000
Total Cash and Estimated Revenues	<u>\$ 1,546,493,000</u>

Appropriations:	
Current Operating Expenses	\$ 1,533,732,000
Capital Outlay:	
Roads	10,854,000
Parks	1,398,000
Office/Courts	509,000
Total Appropriations	<u>\$ 1,546,493,000</u>

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

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2013 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	\$ 138,789,076
Permanent Improvements	22,972,368
Flood Control	132,645,799
Reliant Park	22,738,865
Total	<u>\$ 317,146,108</u>

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Exemptions (a)</b>	<b>Total Taxable Assessed Value</b>		<b>M&amp;O Tax Rate</b>	<b>Debt Service Tax Rate</b>	<b>Total County Tax Rate</b>
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
2013	324,827,229	57,313,966	91,639,208	290,501,987		0.33271	0.06750	0.40021

- (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)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Adjusted Levy as of End of Current Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years*</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2004	\$ 704,093	\$ 704,923	\$ 693,384	98.4%	\$ 8,140	\$ 701,524	99.5%
2005	793,759	762,134	740,302	97.1	17,999	758,301	99.5
2006	796,885	820,152	719,922	87.8	96,695	816,617	99.6
2007	887,598	903,967	793,835	87.8	106,430	900,265	99.6
2008	929,929	991,494	910,828	91.9	76,489	987,317	99.6
2009	1,089,141	1,085,407	981,807	90.5	98,235	1,080,042	99.5
2010	1,114,429	1,101,285	1,036,477	94.1	58,024	1,094,501	99.4
2011	1,058,623	1,049,755	987,684	94.1	54,618	1,042,302	99.3
2012	1,081,861	1,074,211	1,022,187	95.2	40,911	1,063,098	99.0
2013	1,160,905	1,160,905	1,100,588	94.8	-	1,100,588	94.8

\* 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	2013			2004		
	2012 Taxable Valuations (a)	Rank	Percentage of Total 2012 Taxable Valuation (b)	2003 Taxable Valuations (a)	Rank	Percentage of Total 2003 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,049,210	1	1.05%	\$ 2,763,577	1	1.49%
Centerpoint Energy, Inc.	2,458,242	2	0.85	2,249,887	2	1.22
Shell Oil Company	2,146,430	3	0.74	1,420,247	3	0.77
Chevron Chemical Company	1,805,850	4	0.62	-		0.00
Hines Interests Ltd Partnership	1,393,328	5	0.48	989,539	6	0.53
Crescent Real Estate	1,222,765	6	0.42	494,650	8	0.27
National Oilwell Inc	1,202,593	7	0.41	-		0.00
Hewlett Packard Company	1,128,141	8	0.39	437,851	11	0.24
Equistar Chemicals LP	1,032,142	9	0.36	1,071,332	4	0.58
Lyondell Chemical	825,232	10	0.28	721,265	7	0.39
Walmart	815,969	11	0.28	-		0.00
Houston Refining	762,242	12	0.26	-		0.00
AT&T Mobility LLC	758,853	13	0.26	-		0.00
Halliburton Company	678,610	14	0.23	-		0.00
Valero Energy Corporation	571,888	15	0.20	-		0.00
Southwestern Bell Telephone	-		0.00	1,038,554	5	0.56
Anhueser Busch Incorporated	-		0.00	485,180	9	0.26
Chevron Phillips Chemical Company	-		0.00	478,044	10	0.26
Oxy Vinlys LP	-		0.00	402,431	12	0.22
Continental Airlines Inc. (d)	-		0.00	377,673	13	0.20
Lyondell-Citgo Refining Company	-		0.00	367,030	14	0.20
Conoco Phillips Company	-		0.00	343,348	15	0.19
<b>Total</b>	<u>\$ 19,851,495</u>		<u>6.83%</u>	<u>\$ 13,640,608</u>		<u>7.38%</u>

**Source:** Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the County's total taxable value as of February 28, 2013.
- (c) Based on the County's total taxable value as of February 29, 2004.
- (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)**

	<u>County's Total Outstanding Tax Debt (a)</u>
Limited Tax Debt	\$ 1,061,637,191
Unlimited Tax Debt	711,615,000
Flood Control	572,165,000
Toll Road Tax Bonds	<u>479,630,000</u>
Total	\$ 2,825,047,191
Less: Toll Road Tax Bonds	<u>(479,630,000)</u>
Total (Approximately 0.61% of 2012 Assessed Value)	<u><u>\$ 2,345,417,191</u></u>

(a) Excluding Flood Control District debt of \$96,470,000 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 2003-04 through 2012-13.

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
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
2013	2,825,047	290,501,987	0.97	4,253,700	664

(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
2014	\$ 44,676	\$ 45,787	\$ 90,463	\$ 11,208	\$ 33,592	\$ 44,800	\$ 47,090	\$ 26,722	\$ 73,812	\$ 11,805	\$ 33,492	\$ 45,297	\$ 114,779	\$ 139,593	\$ 254,372
2015	59,052	44,844	103,896	18,633	32,302	50,935	62,770	20,086	82,856	10,760	32,932	43,692	151,215	130,164	281,379
2016	60,982	42,684	103,666	24,203	31,714	55,917	40,685	17,832	58,517	9,785	32,420	42,205	135,655	124,650	260,305
2017	69,832	40,430	110,262	23,609	31,025	54,634	26,380	16,419	42,799	9,045	31,961	41,006	128,866	119,835	248,701
2018	67,021	37,610	104,631	28,037	30,316	58,353	26,610	15,128	41,738	9,450	31,530	40,980	131,118	114,584	245,702
2019	69,071	34,955	104,026	42,605	29,352	71,957	27,445	13,742	41,187	24,245	31,058	55,303	163,366	109,107	272,473
2020	62,981	32,082	95,063	38,010	27,234	65,244	28,345	12,277	40,622	40,100	29,791	69,891	169,436	101,384	270,820
2021	71,205	29,097	100,302	42,690	25,338	68,028	29,285	10,765	40,050	40,655	27,704	68,359	183,835	92,904	276,739
2022	94,365	25,822	120,187	25,405	23,251	48,656	19,445	9,486	28,931	45,170	25,664	70,834	184,385	84,223	268,608
2023	55,290	21,501	76,791	65,540	22,007	87,547	20,240	8,449	28,689	45,290	23,298	68,588	186,360	75,255	261,615
2024	51,326	19,127	70,453	67,495	18,830	86,325	20,700	7,385	28,085	46,605	21,033	67,638	186,126	66,375	252,501
2025	82,932	17,173	100,105	59,370	15,522	74,892	21,165	6,297	27,462	17,055	18,703	35,758	180,522	57,695	238,217
2026	38,854	13,282	52,136	43,075	12,640	55,715	12,070	5,430	17,500	33,255	17,838	51,093	127,254	49,190	176,444
2027	52,500	11,022	63,522	43,075	10,486	53,561	12,090	4,796	16,886	34,255	16,175	50,430	141,920	42,479	184,399
2028	53,375	8,374	61,749	43,075	8,333	51,408	12,115	4,161	16,276	35,280	14,462	49,742	143,845	35,330	179,175
2029	33,065	6,211	39,276	43,070	6,304	49,374	12,135	3,524	15,659	35,735	12,730	48,465	124,005	28,769	152,774
2030	23,410	4,290	27,700	32,645	4,275	36,920	12,160	2,886	15,046	36,205	10,975	47,180	104,420	22,426	126,846
2031	24,405	3,095	27,500	29,935	2,768	32,703	12,185	2,247	14,432	36,705	9,197	45,902	103,230	17,307	120,537
2032	25,485	1,848	27,333	29,935	1,384	31,319	12,210	1,607	13,817	37,225	7,362	44,587	104,855	12,201	117,056
2033	21,810	545	22,355	-	-	-	12,240	965	13,205	11,520	5,501	17,021	45,570	7,011	52,581
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
<b>Total</b>	<b>\$ 1,061,637</b>	<b>\$ 439,779</b>	<b>\$ 1,501,416</b>	<b>\$ 711,615</b>	<b>\$ 366,673</b>	<b>\$ 1,078,288</b>	<b>\$ 479,630</b>	<b>\$ 190,526</b>	<b>\$ 670,156</b>	<b>\$ 668,635</b>	<b>\$ 454,484</b>	<b>\$ 1,123,119</b>	<b>\$ 2,921,517</b>	<b>\$ 1,451,462</b>	<b>\$ 4,372,979</b>

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

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

As of February 28, 2013, 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>117,777</u>	
Total Unlimited Tax Bonds		117,777
Combination Unlimited Tax and Revenue:		
Toll Roads	<u>15,148</u>	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		<u>-</u>
Total Harris County Ad Valorem Tax Bonds		<u>380,925</u>
Total Authorized but Unissued Bonds		<u><u>\$ 380,925</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>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>	<u>2013</u>
Harris County General Fund:										
Reserved	\$ 100,143	\$ 112,291	\$ 146,215	\$ 175,301	\$ 175,956	\$ 202,321	\$ 283,664	\$ 341,139	\$ -	\$ -
Unreserved	250,939	203,684	175,581	128,418	192,616	166,726	59,063	(22,290)	-	-
Nonspendable	-	-	-	-	-	-	-	-	4,840	4,463
Restricted	-	-	-	-	-	-	-	-	280,566	347,309
Committed	-	-	-	-	-	-	-	-	2,120	2,847
Assigned	-	-	-	-	-	-	-	-	33,491	24,013
Unassigned	-	-	-	-	-	-	-	-	91,927	189,799
Total general fund	<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>	<u>\$ 568,431</u>

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

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

	<b>Full-time Equivalent Employees as of February 28/29</b>									
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Administration of Justice	8,450	8,554	8,380 (a)	8,168	8,740	9,425	9,308	8,779	8,462	8,723
Parks	*	*	715	706	732	787	797	670	625	675
County Administration	2,720	2,787	2,726	2,871	3,024	3,339	3,161	3,032	2,901	2,957
Health and Human Services	*	*	1,613	1,604	1,706	1,796	1,718	1,467	1,385	1,326
Flood Control	331	342	312	333	325	354	374	335	308	290
Tax Administration	465	442	428	426	435	428	415	378	341	340
Roads and Bridges	817	837	782	779	807	856	914	597	561	536
Other *	2,287	2,441	*	*	*	*	*	*	*	*

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

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

Note: (1) As of February 28, 2013, it is estimated that approximately 2,456 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 2009 through 2013 are summarized as follows:

	FY2013	FY2012	FY2011	FY2010	FY2009
Employer Contributions	\$80,833,553	\$75,064,075	\$89,543,487	\$84,946,672	\$79,047,481