Harris County Toll Road Authority Enterprise Fund

A Department of Harris County, Texas

Basic Financial Statements

For The Fiscal Year Ended

February 28, 2009

Toll Road Enterprise Fund of Harris County, Texas

Financial Statements As of February 28, 2009 and for the Year Then Ended and Independent Auditors' Report

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2009

TABLE OF CONTENTS

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2009

INTRODUCTORY SECTION

Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

Steven L. Garner, C.P.A., C.F.E.
Chief Assistant County Auditor
Audit Division

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

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

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

July 27, 2009

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

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended February 28, 2009. 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 9.

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

The Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for fiscal year ended February 28, 2009 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE AUTHORITY

History

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

Authority Structure and Services

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

Budget Process

In accordance with Chapter 111 of the Local Government Code, the County prepares and adopts an annual operating budget which serves as a financial plan for the Authority for the new fiscal year beginning March 1. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the General Fund is at the department level; for other funds budgetary control is implemented at various levels. For example, budgetary control for debt service funds is at the individual bond issue level. 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 global recession along with weak energy prices have curtailed the County's robust employment growth. This became especially evident during the first quarter of 2009. Sectors of the local economy that have shed jobs include refining, petrochemicals, construction, retail and wholesale trade, transportation, utilities, finance and informational services. Upstream energy employment job growth has slowed with the Texas Alliance of Energy producers predicting that the oil and gas industry will not recover until 2010. The University of Houston's Institute for Regional Forecasting has forecast regional job losses in 2009 and 2010 of 56,000, mostly occurring in 2009. Factors that will continue to influence the County's economic future are the health of the national economy, energy prices, and the value of the dollar against major foreign currencies.

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

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

The Houston Association of Realtors reported a 17.3 percent decline in closings during 2008 with the total sales volume falling 15.9 percent. In April 2009, the average sales price for a single-family home was $194,222, which was 5.8 percent lower than in April 2008. However, the median price was $149,050, virtually unchanged from April 2008. Sales of foreclosed single-family properties have slowed recently. In April 2009, foreclosures made up 23.6 percent of all single-family sales compared to 34.0 percent in January 2009.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile assembly of public and private facilities along the Houston Ship Channel. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce and second in total tonnage, with a total of 8,053 vessel calls in 2008. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a $387 million bond issue for the construction of a new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly $1 billion in new business revenues and more than $40 million in new tax revenues annually.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, the fourth largest airport in the country, and state of the art telecommunication services. In January 2004, a 7.5-mile light rail line was completed, linking Houston's Central Business District, the Museum District, the Texas Medical Center, and Reliant Stadium. In March 2009, the Metropolitan Transit Authority contracted to construct approximately 20 additional miles of light rail lines.

Harris County is the nation's third most populous county, ranking behind Los Angeles County, California and Cook County, Illinois. Houston is tied with Chicago for second place among metropolitan statistical areas for the number of *Fortune 500* headquarters with twenty-nine, behind New York, which has seventy-three.

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

Financial Policies and Long-Term Financial Planning
The County's financial policies also apply to the Authority. Some of the County's financial policies are:

- Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum undesignated fund balance for operating funds will be no less than 15% of fiscal year expenditures;

- Full disclosure and open lines of communications will be provided for rating agencies. A goal is sustaining the County's AAA (Standard & Poor's), Aa1 (Moody's), and AA+ (Fitch) debt rating with a stable outlook; and

- The County's investment policy has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds. The County's general objectives in investing its funds are: understanding the suitability of the investment to the financial requirements of the County, preservation and safety of principal, liquidity, marketability of the investment if the need arises to liquidate the investment before maturity, diversification of the investment portfolio, and yield. The "prudent person" standard has been adopted for managing the portfolio for the County. To ensure safety of public funds, the policy adheres to Chapter 2256 of the Texas Government Code, The Public Funds Investment Act, and the statutory requirements of Local Government Code 116.112.

Authority funds available for investment under the County's investment program as of February 28, 2009 totaled $1,091.5 million with investment earnings of $41 million for the fiscal year. The average yield and maturity of such investments were 2.73% and 703 days**.**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2009 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post employment benefits can be found in Notes 9 and 10 of the notes to the financial statements.

Major Initiatives
The Authority continues moving forward on projects authorized by Commissioners Court including Segment E of the Grand Parkway, Beltway 8 East, and replacement of the existing toll collection system. Currently, the Authority has sufficient available cash to fund projects previously approved by Commissioners Court.

ACKNOWLEDGMENTS

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

REQUEST FOR INFORMATION

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

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

FINANCIAL SECTION

Deloitte.

Deloitte & Touche LLP
Suite 4500
1111 Bagby Street
Houston, TX 77002-4196
USA

Tel: 1+713 982 2000
Fax: 1+713 982 2001
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the Toll Road Authority Enterprise Fund of Harris County, Texas (the "Toll Road Authority") as of February 28, 2009 and the related statements of revenue, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County, Texas (the "County"). Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Toll Road Authority as of February 28, 2009, and its changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the Toll Road Authority's basic financial statements. The introductory section and other information listed in the table of contents is presented for purpose of additional analysis and is not required part of the basic financial statements. This supplementary information is also the responsibility of County's management. The introductory section and other information is not subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion on it.

Deloitte & Touche LLP

July 27, 2009

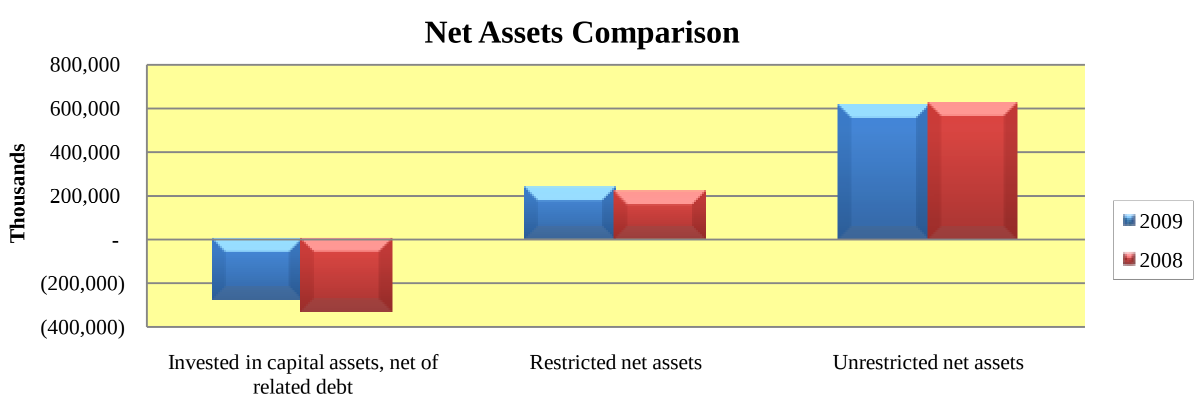
This section of the Toll Road Enterprise Fund of Harris County financial statements presents management's discussion and analysis ("MD&A") of the financial performance of the Harris County Toll Road Authority ("Authority") during the fiscal year ended February 28, 2009.

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 2009, the Authority issued $400,715,000 in revenue and refunding bonds with related debt service financed through toll revenues. Note 7 to the financial statements provides further details on the new debt issuances.

- Total net assets are comprised of the following:
  (1) Invested in capital assets, net of related debt, a deficit of $273,939,555, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net assets increased $60,379,532 from the previous year.
  (2) Net assets of $231,833,576 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets increased by $18,393,368 from the prior year due to an increase in the debt service reserve.
  (3) Unrestricted net assets of $607,922,264 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets decreased $10,241,047 from the previous year.



OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The total net assets of the Authority exceeded liabilities at February 28, 2009 by $565,816,285 and $497,284,432 for fiscal year ended 2008. Net assets increased primarily due to an increase in new proceeds from debt and an increase in Toll Revenues.

Harris County Toll Road Enterprise Fund
Condensed Statement of Net Assets
February 28, 2009 and February 29, 2008
(Amounts in thousands)

	2009	2008
Current restricted assets	$ 1,121,001	$ 898,830
Capital assets, net	1,798,621	1,772,335
Other non-current assets	80,588	54,499
Total assets	3,000,210	2,725,664
Current liabilities - restricted	147,538	129,237
Non-current liabilities	2,286,856	2,099,143
Total liabilities	2,434,394	2,228,380
Net assets:		
Invested in capital assets, net of related debt	(273,940)	(334,319)
Restricted net assets	231,834	213,440
Unrestricted net assets	607,922	618,163
Total net assets	$ 565,816	$ 497,284

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

Another portion of the Authority's current fiscal year net assets reflects its investments in capital assets (e.g.: land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was an increase in related debt of $167,719,911, an increase in unspent proceeds of $201,813,741, while capital assets increased by $26,285,702, causing an overall increase in capital assets net of related debt of $60,379,532. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

Harris County Toll Road Enterprise Fund
Statement of Activities
(In Thousands)
For the Years Ended February 28, 2009 and February 29, 2008

	2009	2008
Revenues:		
Operating revenues:		
Toll revenue	$ 442,015	$ 428,867
Intergovernmental revenue	994	1,286
Nonoperating Revenues:		
Investment income	41,253	49,023
Lease revenue	463	488
Miscellaneous revenue	599	4,266
Gain on disposal of capital assets	-	140
Total revenues	485,324	484,070
Expenses:		
Operating Expenses:		
Salaries	53,516	46,511
Materials and supplies	8,072	11,651
Services and fees	51,940	30,121
Utilities	2,866	3,297
Transportation and travel	1,076	867
Depreciation	67,035	62,889
Nonoperating Expenses:		
Interest expense	106,674	103,326
Amortization expense	14,555	14,310
Loss on disposal of capital assets	19	-
Total expenses	305,753	272,972
Income before contributions and transfers	179,571	211,098
Contributions	9,198	3,059
Transfers in	-	22
Transfers out	(120,237)	(120,480)
Change in net assets	68,532	93,699
Net assets - beginning	497,284	403,585
Net assets - ending	$ 565,816	$ 497,284

Revenues and Contribution

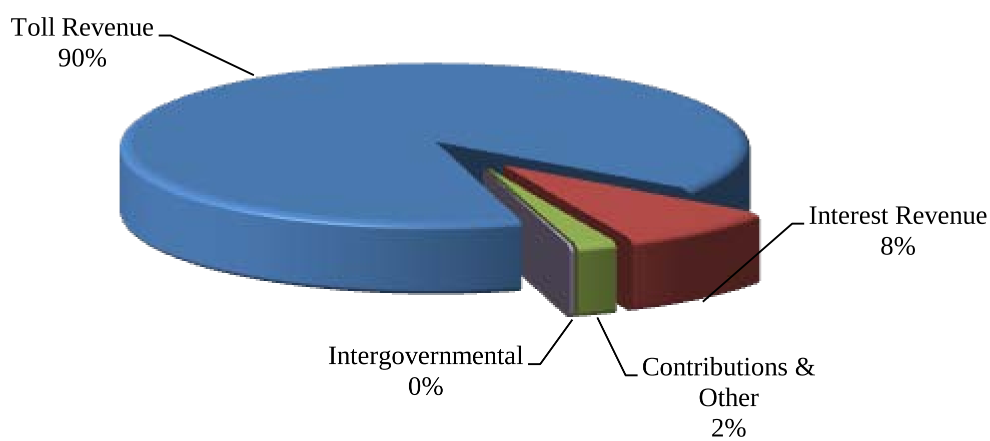
Total revenues and contributions for fiscal year 2009 were $494,522,837, an increase of $7,392,870 in revenues and contribution from fiscal year 2008 of $487,129,967.

The largest revenue source is toll revenue of $442,015,417 or 90% of total revenues and contributions. This revenue category increased $13,147,886 from fiscal year 2008. This is primarily due to an increase in the toll rate on September 3, 2007. The biggest increases were noted at Sam Houston North ($2.8M) and Sam Houston South ($2.4M).

Contributions and other revenues totaled $11,254,398 or 2% of total revenues and contributions. Contributions of $9,197,722 for fiscal year 2009 increased $6,138,285 compared to fiscal year 2008 contributions of $3,059,437. Other revenue consists of lease revenue of $462,981 and miscellaneous revenue of $599,298 (primarily expense reimbursements). Intergovernmental revenue of $994,397 is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2009 totaled $41,253,022 and comprises 8% of total revenues and contributions. This revenue source decreased $7,770,444 from fiscal year 2008 of $49,023,466. The increase is attributable to lower interest rates.

REVENUES BY SOURCE
Year ended February 28, 2009



Expenses

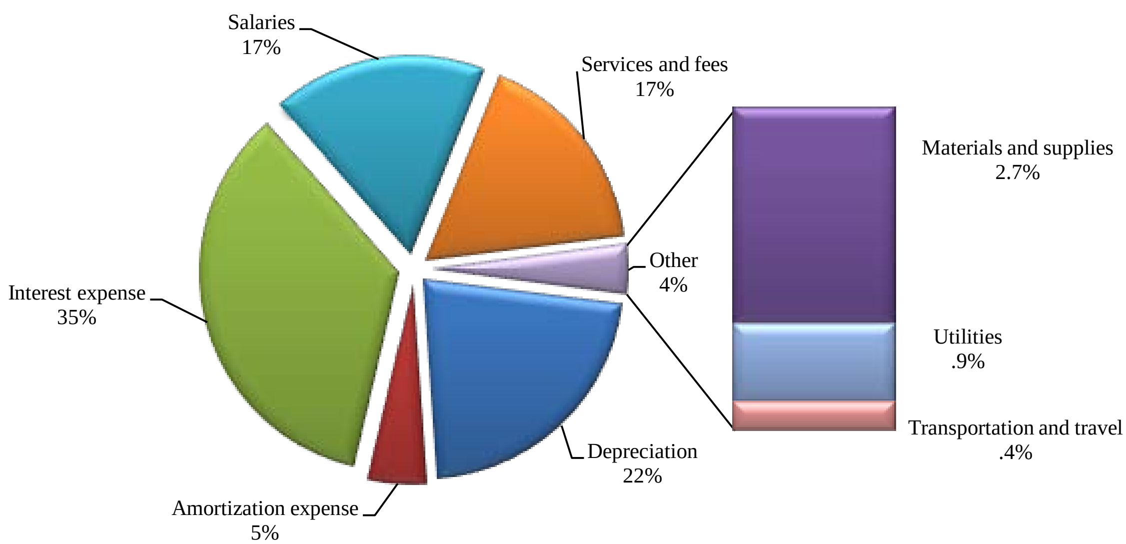
For fiscal year ended February 28, 2009, expenses totaled $305,753,503, and increased $32,781,738 from fiscal year 2008 of $272,971,765.

Interest expense of $106,674,114 is the Authority's largest expense category and is 35% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries of $53,515,886 or 17% of total expenses increased by $7,004,997 from fiscal year 2008, due to 79 positions added in the current year. Services and fees of $51,940,426 or 17% or total expenses increased by $21,819,314 primarily due to an increase in maintenance on roadways and facilities due to aging infrastructure, additional constable support, and banking fees related to credit card transactions.

The remaining 31% of expenses consisted of depreciation (22%) and amortization expense (5%) and other expenses (4%) and consists of outlays relative to materials and supplies, utilities, and transportation and travel. All of these expense categories are necessary for the operation of the toll road.

EXPENSES
Year Ended February 28, 2009



Transfers

Transfers consisted of transfers out of $120,237,481. The largest component of transfers out was a $120 million allocation to fund non-toll County connectivity or enhancement projects. The remaining $200,000 was for payments to the Harris County Radio Operations fund and $37,481 was for a capital asset transfer.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets, net of accumulated depreciation as of February 28, 2009 and February 28, 2008, amounted to $1,798,620,767 and $1,772,335,065, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority's capital assets, net of accumulated depreciation increased $26,285,702 from fiscal year 2008.

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

	Balance February 28, 2009	Balance February 29, 2008
Land	$ 18,293,567	$ 9,936,262
Right-of-way	264,014,983	256,788,317
Intangible assets	237,500,000	237,500,000
Construction in progress	221,083,075	191,211,723
System integration in progress	8,697,872	5,751,963
Land improvements	2,741,917	2,741,917
Infrastructure	1,735,963,226	1,735,963,226
Other tangible assets	21,181,809	20,248,222
Buildings	20,384,030	9,595,649
Equipment	47,876,773	14,709,293
	2,577,737,252	2,484,446,572
Less: Accumulated depreciation	(779,116,485)	(712,111,507)
Totals	$ 1,798,620,767	$ 1,772,335,065

Long-term debt

At the end of the fiscal year, the balance of the Authority's total outstanding debt (bonds, net of deferred amount on refunding) was $2,372,124,607. Refer to Note 7 to the financial statements for further detail on the Authority's long-term debt.

	Outstanding at February 28, 2009	Outstanding at February 29, 2008
Bonds payable	$ 2,363,579,795	$ 2,097,280,792
Commercial paper payable	-	67,000,000
Compensatory time payable	1,299,289	980,003
OPEB obligation	7,245,523	3,664,533
Totals	$ 2,372,124,607	$ 2,168,925,328

The Authority has a continuing goal to upgrade the Authority's debt rating. The bond rating services of Moody's Investor's Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the Authority long term bond ratings of Aa1, AAA, and AA+, respectively, for the Unlimited Tax and Subordinate Lien Bonds and Aa3, AA-, and AA-, respectively, for the Senior Lien Revenue Bonds.

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

ECONOMIC FACTORS

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

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2009

ASSETS	
Current restricted assets:	
Cash and cash equivalents	$ 95,722,020
Investments	965,069,136
Investments, held as collateral by others	40,000,000
Receivables, net	503,002
Accrued interest receivable	5,662,196
Other receivables, net	7,639,150
Due from primary government	8,412
Inventories	4,285,520
Prepaids and other assets	2,111,860
Total current restricted assets	1,121,001,296
Non-current assets:	
Advances to primary government	52,346,403
Lease receivable	3,215,599
Notes receivable	1,265,677
Capital Assets:	
Land and construction in progress	512,089,497
License agreement	237,500,000
Other capital assets, net of depreciation	1,049,031,270
Deferred charges, net of amortization	23,760,332
Total non-current assets	1,879,208,778
Total assets	3,000,210,074
LIABILITIES	
Current liabilities - payable from restricted assets:	
Vouchers payable	22,933,893
Accrued payroll and compensated absences	4,392,460
Retainage payable	1,994,839
Customer deposits	1,610,832
Due to primary government	206,421
Due to other units	1,183,746
Deferred revenue	30,622,621
Current portion of long-term liabilities	84,593,046
Total current liabilities	147,537,858
Non-current liabilities:	
Bonds payable	2,278,986,749
Compensatory time payable	623,659
OPEB obligation	7,245,523
Total non-current liabilities	2,286,855,931
Total liabilities	2,434,393,789
NET ASSETS	
Invested in capital assets, net of related debt	(273,939,555)
Restricted for capital projects	44,747,841
Restricted for debt service	187,085,735
Unrestricted	607,922,264
Total net assets	$ 565,816,285

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2009

OPERATING REVENUE	
Toll revenue	$ 442,015,417
Intergovernmental	994,397
Total operating revenue	443,009,814
OPERATING EXPENSES	
Salaries	53,515,886
Materials and supplies	8,072,061
Services and fees	51,940,426
Utilities	2,866,487
Transportation and travel	1,075,839
Depreciation	67,034,586
Total operating expenses	184,505,285
Operating income	258,504,529
NONOPERATING REVENUES	
Investment income	41,253,022
Lease income	462,981
Miscellaneous income	599,298
Total nonoperating revenues	42,315,301
NONOPERATING EXPENSES	
Interest expense	106,674,114
Amortization expense	14,555,334
Loss on disposal of capital assets	18,770
Total nonoperating expenses	121,248,218
Income before contributions and transfers	179,571,612
Contributions	9,197,722
Transfers out	(120,237,481)
Change in net assets	68,531,853
Net assets, beginning of year	497,284,432
Net assets, end of year	$ 565,816,285

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tolls	$ 448,807,789
Payments to employees	(49,048,348)
Payments to vendors	(63,375,545)
Receipts from miscellaneous reimbursements	599,298
Net cash provided by operating activities	336,983,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Internal payments to other funds	(2,076,454)
Transfers to other funds	(120,237,481)
Net cash used for noncapital financing activities	(122,313,935)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from lease of capital assets	462,981
Purchases of capital assets	(84,187,789)
Proceeds from sale of capital assets	46,512
Principal and escrow paid on capital debt	(232,895,000)
Interest paid on capital debt	(111,763,717)
Proceeds from capital debt	422,235,878
Bond issuance cost	(931,822)
Net cash used for capital and related financing activities	(7,032,957)
CASH FLOWS FROM INVESTING ACTIVITIES	
Internal payments to other funds	(25,362,503)
Purchase of investments	(1,267,665,898)
Proceeds from sale and maturity of investments	957,808,767
Interest received	35,734,638
Net cash used for investing activities	(299,484,996)
Net change in cash and cash equivalents	(91,848,694)
Cash and cash equivalents, beginning	187,570,714
Cash and cash equivalents, ending	$ 95,722,020
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 258,504,529
Adjustments to operations:	
Depreciation	67,034,586
Other nonoperating revenues (expenses)	599,298
Changes in assets and liabilities:	
Receivables, net	2,171,084
Notes and leases receivable	699,832
Prepaids and other assets	747,923
Inventories	(3,078,927)
Vouchers payable and accrued liabilities	5,107,023
Retainage payable	(441,294)
Due to other units	75,468
Other liabilities	2,316,755
Deferred revenue	2,927,059
Compensatory time payable	319,858
Net cash provided by operating activities	$ 336,983,194
Noncash operating, capital and related financing and investing activities:	
Capital contribution received from other governments	$ 9,197,722
Increase in the fair market value of investments	3,850,054

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), establishes accounting standards for pollution remediation obligations regarding existing pollution areas. Implementation of GASB 49 did not have an effect on the Authority's statements or note disclosure.

GASB Statement No. 50, *Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"), more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements. Implementation of GASB 50 is reflected in the note disclosure (Notes 9 and 10).

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

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

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

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

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

Restricted Assets – Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended February 28, 2009, the Authority was in compliance with these covenants.

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

Inventories – EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 28, 2009 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 is capitalized, regardless of historical cost; the threshold for capitalizing buildings is $100,000 and the threshold for infrastructure ranges from $25,000 to $250,000, depending on the asset.

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

The Authority capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. All interest expense, interest earnings and the amortization of related bond costs were capitalized until September 1987 when the first of four sections of the Toll Road were opened for operations. Prior to fiscal year 2001, net interest and other bond costs have been capitalized based on the percentage of miles of the uncompleted sections to the total miles of the project. Since fiscal year 2001, interest had been capitalized based on the weighted average accumulated expenses multiplied by the weighted average interest rate. Such capitalization increased the total cost of assets constructed by the Toll Road Project by $901,145 during fiscal year 2009.

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, 2009 was $850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

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

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

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

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

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

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

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

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

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

2. DEPOSITS AND INVESTMENTS

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

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2009, the carrying amount of the Authority's demand and time deposits was $5,872,272 and the balance per various financial institutions was $0. The Authority’s deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the County or its agent in the County’s name, in accordance with the Public Funds Collateral Act.

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

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

AUTHORIZED INVESTMENTS

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

1. Obligations of the U.S. or its agencies and instrumentalities.

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

Summary of Cash and Investments

The Authority’s cash and investments are stated at fair value. The following is a summary of the Authority’s cash and investments at February 28, 2009.

	Totals
Cash and Cash Equivalents	$ 95,722,020
Investments	1,005,069,136
Total Cash & Investments	1,100,791,156

The table below indicates the fair value and maturity value of the Authority’s investments as of February 28, 2009, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in days for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
US Agency Notes					
FFCB	$ 96,570,313	8.82%	$ 95,000,000	0.2215	AAA/Aaa
FHLB	127,406,875	11.64%	127,000,000	0.0529	AAA/Aaa
FHLMC	228,384,066	20.86%	228,125,000	0.4186	AAA/Aaa
FNMA	378,794,495	34.59%	377,763,000	0.5791	AAA/Aaa
Commercial Paper					
AGFC	23,803,520	2.17%	24,000,000	0.0371	A-1/P-1
AIG	1,590,693	0.14%	1,601,000	0.0003	A-1+/P-1

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Local Governments					
Austin TX EL	1,134,851	0.10%	1,120,000	0.0018	AAA/Aa2
Cuyahoga Fall	2,608,918	0.24%	2,600,000	0.0012	AAA/Aaa
College Station, TX	1,041,834	0.10%	1,115,000	0.0109	A+/A1
Dallas TX WTR	3,443,987	0.32%	3,315,000	0.0301	AAA/Aa2
Denton Cnty TX	1,135,145	0.10%	1,100,000	0.0112	AAA/Aa1
Ellis Cnty TX	2,544,830	0.23%	2,640,000	0.0259	AA-/Aa3
Frisco Tex GO	5,392,460	0.49%	5,165,000	0.0446	AA/Aa2
Gainesville, FL	5,988,618	0.55%	5,900,000	0.0139	AAA/Aa2
Galveston Cnty, TX	2,597,233	0.24%	2,775,000	0.0252	AA/Aa2
Grayson Cnty, TX	2,960,200	0.27%	3,040,000	0.0303	AAA/Aa3
Harris Cnty, TX Hospital District	22,072,818	2.02%	22,370,000	0.0621	A/A1
Houston Tex ISD	5,035,700	0.46%	5,000,000	0.0661	AAA/Aaa
Houston Tex Util Sys Rev	4,517,460	0.41%	4,500,000	0.0516	AAA/Aa2
Houston Tex Util Sys Rev Adj	48,425,000	4.42%	48,425,000	0.0027	AAA/Aa3
Kent Wash G/O	946,622	0.09%	915,000	0.0015	AA-/A1
Lewisville, TX	1,247,393	0.11%	1,225,000	0.0126	AAA/Aaa
Mansfield TX	4,118,080	0.38%	4,000,000	0.0471	AAA/Aaa
New York St University	3,142,790	0.29%	3,070,000	0.0052	AAA/AA-
North TX TWY	3,584,035	0.33%	3,500,000	0.0454	AAA/Aa2
Northwest TX	2,048,680	0.19%	2,000,000	0.0241	AAA/Aaa
Ohio St GO, BD	2,520,130	0.23%	2,505,000	0.0004	AA+/Aa1
Pearland, Texas	1,032,150	0.09%	1,075,000	0.0105	AAA/Aa3
San Diego County	4,643,417	0.42%	4,610,000	0.0036	AA+/Aa3
San Marcos, TX	1,497,450	0.14%	1,500,000	0.0155	AAA/Aaa
Travis Cnty, TX	1,499,567	0.14%	1,505,000	0.0164	AAA/Aaa
Weatherford, TX	2,845,425	0.26%	2,825,000	0.0231	AA-/A2
Williamson, CO	2,706,254	0.25%	2,665,000	0.0265	AAA/Aa2
Wisconsin St	5,623,875	0.51%	5,590,000	0.0060	AAA/Aa3
Money Market Funds					
Fidelity Institutional Treasury	81,588,517	7.45%	81,588,517	N/A	AAAm/Aaa
Fidelity Institutional-Tax Exempt	10,425,483	0.95%	10,425,483	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	1,094,918,884	100.00%	$ 1,091,553,000	1.9250	
Demand and Time Deposits	5,872,272				
Total Cash & Investments	$ 1,100,791,156				

RISK DISCLOSURES

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

According to the County investment policy, no more than 25% of the portfolio, excluding those investments held for future capital expenditures, debt service payments, bond fund reserve accounts and capitalized interest funds, may be invested beyond 24 months. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed two years. As of February 28, 2009, the Authority was in compliance with all of these guidelines to manage interest rate risk.

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

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2009, all of the Authority's investments are held in the County's name.

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

FUND INVESTMENT CONSIDERATIONS

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

Fund Type	Investment Strategy	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Toll Road Project Funds	Matching	1,080	$ 645,645,000	879
Toll Road Debt Service	Matching	1,080	123,679,000	154
Toll Road Renewal/Replacement	Matching	1,800	139,900,000	867
Toll Road Bond Reserve	Matching	Maturity of the bonds	56,315,000	5,749
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	34,000,000	1,302
Money Market Mutual Funds	N/A	N/A	92,014,000	N/A
			$ 1,091,553,000	

3. OTHER RECEIVABLES

Other receivables as of February 28, 2009 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of $7,639,150 is reported net of allowance for doubtful accounts of $46,904,636.

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 $30,622,621 in deferred revenues for unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 28, 2009 are comprised of the following:

	Outstanding March 1, 2008	Issued	Receipts	Outstanding February 28, 2009
Sam Houston Race Park	$ 128,882	$ -	$ (7,581)	$ 121,301
Uptown Houston	1,388,191	-	(243,815)	1,144,376
Notes receivable	$ 1,517,073	$ -	$ (251,396)	$ 1,265,677

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 28, 2009 are comprised of the following:

Prepaid surety expense	$ 560,215
Prepaid office expenses	551,645
Advance funding for Beltway 8 project	1,000,000
Total	$ 2,111,860

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

6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2009 was as follows:

	Balance March 1, 2008	Additions	Deletions	Transfers	Balance February 28, 2009
Land	$ 9,936,262	$ 8,357,305	$ -	$ -	$ 18,293,567
Right of way	256,788,317	7,226,666	-	-	264,014,983
License agreement	237,500,000	-	-	-	237,500,000
Construction in progress	191,211,723	67,039,311	-	(37,167,959)	221,083,075
System Integration in progress	5,751,963	2,945,909	-	-	8,697,872
Total capital assets not depreciated	701,188,265	85,569,191	-	(37,167,959)	749,589,497
Land improvements	2,741,917	-	-	-	2,741,917
Infrastructure	1,735,963,226	-	-	-	1,735,963,226
Other tangible assets	20,248,222	933,587	-	-	21,181,809
Buildings	9,595,649	210,162	-	10,578,219	20,384,030
Equipment	14,709,293	6,672,571	(83,145)	26,578,054	47,876,773
	1,783,258,307	7,816,320	(83,145)	37,156,273	1,828,147,755
Less accumulated depreciation for:					
Land improvements	(280,283)	(132,220)	-	-	(412,503)
Infrastructure	(696,432,562)	(58,147,526)	-	-	(754,580,088)
Other tangible assets	(3,909,644)	(3,371,161)	-	-	(7,280,805)
Buildings	(2,049,222)	(202,197)	-	-	(2,251,419)
Equipment	(9,439,796)	(5,181,482)	55,403	(25,795)	(14,591,670)
	(712,111,507)	(67,034,586)	55,403	(25,795)	(779,116,485)
Total capital assets being depreciated, net	1,071,146,800	(59,218,266)	(27,742)	37,130,478	1,049,031,270
Total capital assets, net	$ 1,772,335,065	$ 26,350,925	$ (27,742)	$ (37,481)	$ 1,798,620,767

The $37,481 balance in the transfers column, is due to assets that were transferred to Harris County funds.

Intangible Assets

On December 17, 2002, the Commissioners Court authorized a tri-party agreement among Harris County (acting through the Harris County Toll Road Authority), Texas Department of Transportation and Federal Highway Administration to participate in the reconstruction of a portion of the IH10 Katy Freeway. Under this agreement, the Authority funded $237.5 million for the license to the real property within the limits of and for the right to operate the Toll Facility; and paid an additional $12.5 million for the design and construction, and other allowable expenses related to the Toll Facility. Toll Revenues from the operation of the Toll Facility will be collected by the Authority until the County is paid in full. Amortization of this amount will begin when the project is completed and revenues are being collected (April 2009). The amortization will be based on revenues received. 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.

7. LONG-TERM DEBT

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

Changes in the Authority's Long-Term Debt for fiscal year 2008-2009 were as follows:

	Outstanding March 1, 2008	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2009	Due Within One Year
Senior Lien Revenue Bonds	$ 1,401,290,000	$ 324,475,000	$ (26,460,000)	$ 1,699,305,000	$ 28,120,000
Tax Bonds	677,165,665	76,240,000	(87,835,665)	665,570,000	41,540,000
Total Bond Principal	2,078,455,665	400,715,000	(114,295,665)	2,364,875,000	69,660,000
Unamortized Premium, Rev. Series 2002	1,737,400	-	(1,062,821)	674,579	-
Unamortized Premium, Rev. Series 2004A	5,735,207	-	(166,844)	5,568,363	-
Unamortized Premium, Rev. Series 2004B	26,416,909	-	(3,345,843)	23,071,066	-
Unamortized Discount, Rev. Series 2005A	(204,719)	-	5,915	(198,804)	-
Unamortized Premium, Rev. Series 2006A	1,359,450	-	(75,909)	1,283,541	-
Unamortized Premium, Rev. Series 2007A	9,539,565	-	(737,453)	8,802,112	-
Unamortized Discount, Rev. Series 2008B	-	(2,258,818)	(131,995)	(2,390,813)	-
Unamortized Premium, Tax Series 1991	720,323	-	(720,323)	-	-
Unamortized Premium, Tax Series 1992A	256,320	-	(256,320)	-	-
Unamortized Premium, Tax Series 1992B	84,946	-	(84,946)	-	-
Unamortized Premium, Tax Series 1994A	1,195,516	-	(379,079)	816,437	-
Unamortized Premium, Tax Series 1995A	14,592,217	-	(3,951,687)	10,640,530	-
Unamortized Premium, Tax Series 1997	3,728,662	-	(812,776)	2,915,886	-
Unamortized Premium, Tax Series 2001	799,714	-	(184,342)	615,372	-
Unamortized Premium, Tax Series 2002	1,503,589	-	(215,807)	1,287,782	-
Unamortized Discount, Tax Series 2003	(108,473)	-	502,452	393,979	-
Unamortized Premium, Tax Series 2007C	24,736,917	-	(1,373,302)	23,363,615	-
Unamortized Premium, Tax Series 2008A	-	2,947,801	(102,736)	2,845,065	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1991	15,994,366	420,634	(16,415,000)	-	-
Unlimited Tax Series 1992A and 1992B	10,127,396	666,292	(10,793,688)	-	-
Unlimited Tax Series 1995A	17,202,467	6,059,357	-	23,261,824	8,335,907
Unlimited Tax Series 1997	6,022,205	1,341,073	(1,190,000)	6,173,278	1,545,861
Deferred Amount on Refunding	(127,389,470)	(1,216,546)	13,135,721	(115,470,295)	-
Accrued Interest Payable	4,774,620	100,157,018	(99,880,360)	5,051,278	5,051,278
Total Bonds Payable	2,097,280,792	508,831,811	(242,532,808)	2,363,579,795	84,593,046
Commercial Paper Payable	67,000,000	33,350,000	(100,350,000)	-	-
Compensatory Time Payable	980,003	995,488	(676,202)	1,299,289	675,630
OPEB Obligation	3,664,533	3,580,990	-	7,245,523	-
Totals - Toll Road Fund Debt	$ 2,168,925,328	$ 546,758,289	$ (343,559,010)	$ 2,372,124,607	$ 85,268,676

A. Outstanding Bonded Debt – February 28, 2009 – Pertinent Information by Issue

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2009
Senior Lien Revenue Bonds					
Refunding Series 2002	$ 397,520,000	5.00-5.375	2002	2003-2032	$ 217,065,000
Refunding Series 2004A	168,715,000	4.50-5.00	2004	2022-2034	168,715,000
Refunding Series 2004B	478,270,000	2.50-5.00	2004	2005-2022	411,135,000
Refunding Series 2005A	207,765,000	4.50-5.25	2005	2026-2035	22,740,000
Refunding Series 2006A	135,530,000	4.50-5.00	2006	2006-2036	135,530,000
Refunding Series 2007A	275,340,000	4.00-5.00	2007	2008-2033	274,075,000
Refunding Series 2007B	145,570,000	Floating	2007	2034-2035	145,570,000
Refunding Series 2008B	324,475,000	4.625-5.25	2008	2012-2047	324,475,000
Total Principal Senior Lien Revenue Bonds					1,699,305,000
Unamortized Premiums and Discounts					36,810,044
Total Senior Lien Revenue Bonds					$ 1,736,115,044

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2009
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1994 A	$ 59,925,000	6.50-8.00	1994	2008-2024	$ 51,610,000
Refunding Series 1995 A - CAB	1,500,000	5.80-6.05	1995	2002-2012	500,000
Refunding Series 1997	150,395,000	5.00-5.125	1997	2014-2024	26,005,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	750,000
Refunding Series 2001	120,740,000	6.00	2001	2009-2014	120,740,000
Refunding Series 2002	42,260,000	4.00-5.25	2002	2009-2015	42,260,000
Refunding Series 2003	321,500,000	3.50-5.00	2003	2009-2033	25,720,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	321,745,000
Refunding Series 2008A	76,240,000	3.25-5.00	2008	2011-2016	76,240,000
Total Tax Bonds					665,570,000
Unamortized Premiums and Discounts					42,878,665
Accretion of Discount - Capital Appreciation Bonds					29,435,102
Total Tax Bonds					$ 737,883,767

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 4.90 as of February 28, 2009.

C. Debt Service Requirements

Total interest expense was $106,674,114 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal 2/28/2009	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2010	$ 69,660,000	$ 9,881,768	$ 79,541,768	$ 128,228,181	$ 207,769,949
2011	77,745,000	7,542,765	85,287,765	123,906,047	209,193,812
2012	81,880,000	5,829,131	87,709,131	119,445,803	207,154,934
2013	90,890,000	4,728,241	95,618,241	114,830,941	210,449,182
2014	104,135,000	1,453,197	105,588,197	102,239,187	207,827,384
2015-2019	472,330,000	-	472,330,000	415,723,205	888,053,205
2020-2024	394,305,000	-	394,305,000	305,890,303	700,195,303
2025-2029	302,305,000	-	302,305,000	226,869,180	529,174,180
2030-2034	394,140,000	-	394,140,000	141,645,925	535,785,925
2035-2039	235,945,000	-	235,945,000	53,043,524	288,988,524
2040-2044	70,350,000	-	70,350,000	28,290,619	98,640,619
2045-2049	71,190,000	-	71,190,000	7,720,388	78,910,388
Total	$ 2,364,875,000	$ 29,435,102	$ 2,394,310,102	$ 1,767,833,303	$ 4,162,143,405

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, 2009, the unissued authorized bonds for the toll road project are $17,673,000.

E. Defeasance of Debt

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 28, 2009, the outstanding principal balance of these defeased bonds was $2,103,625,000.

F. Debt Issuances

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

On December 30, 2008, the County issued $76,240,000 in Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2008A to refund a portion of the County's outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 2003 and to pay costs of issuance. The annual interest rates range from 3.25% to 5.00%. Interest accrues semiannually and the bonds mature in fiscal year 2017. The issuance had a premium of $2,947,801. The refunding resulted in a decrease in cash flow requirements of $1,230,614 and had an economic gain of $1,285,064.

G. Commercial Paper

In addition to the outstanding long-term debt of the Toll Road Authority ("Toll Road"), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Notes") in an aggregate principal amount not to exceed $200 million outstanding at any one time. As of February 28, 2009, the Toll Road has no outstanding commercial paper.

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

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

The Toll Road entered into a Revolving Credit Agreement as of October 1, 2001 with Dexia Credit Local, whereby Dexia has agreed to advance up to $200 million to the Toll Road to pay the principal of any or all maturing Series E Notes as necessary for a period through October 24, 2010, which is the date of expiration. For this agreement, the County will be assessed a fee of .35% per annum on the aggregate amount of the commitment. The Lender agrees that it will on the first to occur of the Revolving Credit Maturity Date or the 181st day following the date on which any Revolving Credit Loan is made, on the terms and conditions set forth in the Agreement, make a term loan to the County in an amount equal to the outstanding unpaid principal balance of the Lender's Loan Note. The principal amount outstanding for Series E shall be paid in six equal semi-annual installments commencing on the date which is the first business day after the one hundred eightieth day following the day on which such term loan was made so that the term loan is repaid in full after three years from the date the term loan is made. Interest is payable monthly during the Term Loan Period at a rate equal to the base rate (which is the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus one-half of one percent) plus two percent per annum.

The Series E outstanding balance was reduced by $90,000,000 on August 14, 2008. The remaining outstanding amount of Series E was paid off in full on November 14, 2008. The agreement with Dexia was terminated on May 20, 2009.

H. <u>Interest Rate Swap</u>

The County entered an Interest Rate Swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2004B-2 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. Two other Interest Rate Swaps, dated September 18, 2008, are not directly related to any existing bond issue. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

Terms:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	$199,915,000	$72,785,000	$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15th day of each month	The 15th day of February, May, August and November	The 15th day of February, May, August and November
Collateral Threshold: (b)	($15,000,000)	($15,000,000)	($15,000,000)
Fair Value as of 2/28/09:	($20,722,281)	($18,328,235)	($18,328,235)

(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.

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

Risks:

	Citibank–Toll Road Authority, Series 2004B-2	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk as of 2/28/09	Minimal.	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A+, and A+	A1, A+, and A+	Aa1, AA-, and AA-
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $20,722,281, which is based on a fair market value calculation.	The exposure to the County is $18,328,235, which is based on a fair market value calculation.	The exposure to the County is $18,328,235, which is based on a fair market value calculation.

Terms (swaps not directly related to any existing bond issue):

	Goldman Sachs	Goldman Sachs
Trade Date:	September 18, 2008	September 18, 2008
Effective Date:	Any date from and including 6/1/2009 to 12/1/2009.	Any date from and including 6/1/2010 to 12/1/2010.
Termination Date:	August 15, 2039	August 15, 2040
Initial Notional Amount: (a)	$200,000,000	$100,000,000
Authority Pays Fixed:	4.098%	4.237%
Counterparty Pays Floating:	SIFMA Muni Swap Index	SIFMA Muni Swap Index
Payment Dates:	The 15th day of each month	The 15th day of each month
Fair Value as of 2/28/09:	($15,064,443)	($7,171,740)
(a) The notional amount for the swaps amortizes to match the outstanding bond.		

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

Risks:

	Goldman Sachs	Goldman Sachs
Credit Risk as of 2/28/09	Minimal.	Minimal.
Credit Ratings (currently assigned.) Moody's, S&P, and Fitch	A1, A, and A+	A1, 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.	Goldman Sachs pays the SIFMA Muni Swap Index, while the County pays a fixed rate of 4.098%.	Goldman Sachs pays the SIFMA Muni Swap Index, while the County pays a fixed rate of 4.237%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $15,064,443, which is based on a fair market value calculation.	The exposure to the County is $7,171,740, which is based on a fair market value calculation.

The collateral threshold pledging requirements have always been met by the County as required in the SWAP Agreements. On December 4, 2008, the County pledged three Federal National Mortgage Association bonds ("FNMA") as collateral to Citibank and JP Morgan to cover the collateral threshold shortfall. The two FNMA bonds pledged to Citibank were exchanged for a Federal Home Loan Mortgage Corp. bond ("FHLMC") on January 9, 2009 as FNMA called the bonds. On March 30, 2009, the FNMA bond that was collateral for JP Morgan was also called. It was replaced by a FHLMC bond.

I. Subsequent Debt Related Activity

On May 14, 2009, the County issued $215,455,000 Toll Road Senior Lien Revenue Bonds, Series 2009A to finance the construction of toll road projects, to fund the increase in the debt service reserve fund requirement resulting from the issuance of the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.0%. The issuance had a premium of $5,640,228. Interest accrues semiannually and the bonds mature in fiscal year 2038.

On June 5, 2009, Citibank and JP Morgan released two Federal Home Loan Mortgage Corp. bonds back to the County that had been pledged to cover the collateral threshold shortfall on two SWAPS. The SWAPS were the $199,915,000 SWAP for the 2004B-2 Series bonds and the $72,785,000 SWAPs for the 2007B Series bonds.

On June 9, 2009, the County terminated the two SWAPs with Goldman Sachs. The SWAPs notional amounts were $200,000,000 and $100,000,000. The SWAPs were not directly related to any bond issues. The County received $1,000,000 from Goldman Sachs due to the fair value of the positions at the time.

On July 7, 2009, the County pledged a Federal Home Loan Mortgage Corp. bond to Citibank to cover the collateral threshold shortfall on the $199,915,000 interest rate SWAP for the 2004B-2 Series bonds.

J. Arbitrage Rebate Liability

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental 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 2009. As of February 28, 2009 there were no estimated liabilities for arbitrage rebate on governmental debt.

8. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 28, 2009 were as follows:

Balance March 1, 2008	Earned	Taken/ Paid	Balance February 28, 2009	Due Within One Year
$ 980,003	$ 995,488	$ (676,202)	$ 1,299,289	$ 675,630

9. RETIREMENT PLAN

Plan Description **-** The County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional, defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar-year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS since 1991, the County has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2009 is 9.74%. The contribution rates for calendar years 2008 and 2007 were 9.64% and 10.43%, respectively.

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

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

Funding Policy **-** The County has elected the annually determined contribution rate ("ADCR") plan provision of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using 9.64% for the months of the calendar year in 2008, and 9.74% for the months of the calendar year in 2009.

The contribution rate payable by the employee members for 2008 and 2009 is the rate of 7% as adopted by Commissioner's Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner's Court within the options available in the TCDRS Act.

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

Annual Pension Cost **-** For the County's fiscal year ended February 28, 2009, the annual pension cost for the TCDRS plan for its employees, including the Authority, was $79,047,481and the actual contributions for the Authority were $3,454,350. (This excludes actuarial contributions of $2,960,716 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, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 report is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
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	15	15	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.3 %	5.3 %	5.3 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/09	$ 79,047,481	100%	-
2/29/08	$ 75,944,968	100%	-
2/28/07	$ 65,922,424	100%	-

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	$2,355,663,641
Actuarial Accrued Liability (AAL)	$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	$ 369,123,005
Funded Ratio	86.45%
Annual Covered Payroll (Actuarial)	$ 839,919,068
UAAL as Percentage of Covered Payroll	43.95%

10. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

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

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

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

Summary of Significant Accounting Policies

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

Method Used to Value Investments. Investments are reported at fair value, which is based on quoted market prices 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, 2011:

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

Eligible to Retire March 1, 2011 or After:

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

Employees Hired on or After March 1, 2007:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2009, plan members or beneficiaries receiving benefits contributed $4.53 million, or approximately 14 percent of total benefits paid during the year. Participating employers contributed $26.82 million. The total contributions for the year ended February 28, 2009 was $31.35 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation and network access based on a percent of claims paid.

THE EMPLOYER:

Annual OPEB Cost

For 2009, the County's annual OPEB cost (expense) was $96,615,958 (including Toll Road of $4,063,010) 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, 2009 were as follows:

Annual Required Contribution	$ 97,628,162
Add interest on Net OPEB Obligation	3,685,994
Less adjustment to Annual Required Contribution	(4,698,198)
Annual OPEB Cost	96,615,958
Less Contributions made	(26,823,612)
Change in Net OPEB Obligation	69,792,346
Net OPEB Obligation, beginning of the year	70,209,408
Net OPEB Obligation, end of the year	$ 140,001,754

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/29/2008	$ 97,628,162	$ 27,418,754	28%	$ 70,209,408
2/28/2009	96,615,958	26,823,612	28%	140,001,754

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The annual net OPEB obligation for Emergency 911 and Community Supervision is $142,209 and $0 respectively for fiscal year 2008 and the net OPEB obligation for Emergency 911 and Community Supervision is $286,167 and $66,579 respectively at February 28, 2009. Toll Road's portion of the net OPEB obligation above is $7,245,523. Note that this is the second year of implementation of GASB 45, which requires three years of data in the trend information table.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2007 (most recent actuarial valuation) was as follows:

	All Participants	Toll Road Portion
Unfunded actuarial accrued liability (UAAL)	$ 852,350,950	$ 23,508,770
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	$ 760,995,816	$ 36,039,432
UAAL as a percentage of covered payroll	112%	65%

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

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

Actuarial Methods and Assumptions

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

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

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

Additional Disclosures

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

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

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

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

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

11. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of $184,773,067.

Litigation and Claims

The Authority is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such pending lawsuits and other claims are not presently determinable, management of the Authority believes that the resolution of these matters is not expected to have a materially adverse effect on the financial condition of the Authority. There are several civil cases that have resulted in settlements, consent decrees or are expected to have financial impact on the Authority in subsequent fiscal years. An additional amount of $2,019,512 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

Joint Deposit/Escrow Account

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

12. TRANSFERS AND ADVANCES

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

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

In October 2008, Commissioners Court approved an interfund borrowing and line of credit from the Harris County Toll Road Authority to the Hurricane Ike Disaster Fund, not to exceed $60 million. The borrowing and line of credit has a one-year maturity with principal and interest due at maturity with an option for Commissioners Court to extend the note for an additional year with principal and interest payable at maturity. The interfund borrowing was $22 million at February 28, 2009.

13. REVENUE LEASES

Operating Leases
The Authority is the lessor in several operating leases for office space. The leases will expire over the next 15 years. The building is carried at $806,246 with accumulated depreciation of $95,555 for a net investment in the property of $710,691. The following is a schedule of minimum future rentals on non-cancelable operating leases of February 28, 2009:

Fiscal year	
2010	$ 452,969
2011	452,968
2012	452,969
2013	452,968
2014	452,969
2015-2019	1,317,939
2020-2024	244,440
Total minimum future rentals	$ 3,827,222

The total minimum future rentals amount above does not include contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to $11,700 in 2009.

Direct-Financing Leases
The Authority leases equipment to the City of Houston for use at the Airport. The Authority's net investment in direct financing leases is $3,215,599. This lease expires in 4 years and is not considered a significant part of the Authority's business activities in terms of revenue.

14. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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

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

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 55"), is to incorporate the hierarch of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. GASB 55 will be implemented by the Authority in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* ("GASB 56"), is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. GASB 56 will be implemented by the Authority in fiscal year 2010 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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

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)
2008	3/1/2007	$ -	$ 852,350,950	$ 852,350,950	0%	$ 698,535,669	122.0%
2009	3/1/2007	-	852,350,950	852,350,950	0%	760,995,816	112.0%

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

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

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)
2008	3/1/2007	$ -	$ 23,508,770	$ 23,508,770	0%	$ 31,598,861	74.4%
2009	3/1/2007	-	23,508,770	23,508,770	0%	36,039,432	65.2%

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

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Value of Assets	$2,184,433,915	$2,375,906,657	$2,355,663,641
Actuarial Accrued Liability (AAL)	$2,322,483,635	$2,521,078,602	$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	$ 138,049,720	$ 145,171,945	$ 369,123,005
Funded Ratio	94.06%	94.24%	86.45%
Annual Covered Payroll (Actuarial)	$ 682,345,135	$ 755,852,867	$ 839,919,068
UAAL as Percentage of Covered Payroll	20.23%	19.21%	43.95%

OTHER INFORMATION

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

Component/Segment	2005	2006	2007	2008	2009
Hardy Toll Road-North	14,052,770	14,632,226	14,844,875	16,938,676	16,744,345
Hardy Toll Road-South	18,462,284	19,010,977	19,194,355	20,975,028	19,876,515
Sam Houston Tollway-South	61,531,417	63,197,673	67,495,296	70,584,503	64,640,311
Sam Houston Tollway-Central	51,591,528	55,090,689	56,979,721	56,124,887	53,294,082
Sam Houston Tollway-North	57,044,397	62,488,975	64,503,481	65,373,379	63,185,142
Sam Houston Ship Channel Bridge	10,845,442	12,396,189	12,685,800	13,263,584	12,121,030
Sam Houston Tollway-East	16,510,758	18,362,289	19,094,698	20,166,224	20,035,646
Sam Houston Tollway-South/East	23,929,678	25,702,415	26,790,083	27,928,955	26,821,418
Sam Houston Tollway-South/West	30,545,303	32,782,866	34,006,958	34,769,529	31,883,756
Westpark Tollway	12,723,902	30,329,845	41,553,985	45,961,833	42,023,500
Spur 90A (a)	-	1,241,962	2,803,683	3,645,128	3,322,965
Total	297,237,479	335,236,106	359,952,935	375,731,726	353,948,710

(a) Spur 90 A opened in 2006

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

Toll Rate Schedule Effective as of September 3, 2007

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 0.75-1.50	$ 0.75-1.50	$ 0.75-1.25
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.50
Westpark	N/A	N/A	$ 0.50-1.25
Hwy 90A	N/A	$ 1.00	$ 0.75
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25-7.50	N/A	$ 1.25-7.50
Sam Houston Ship Channel Bridge	$ 3.00-7.50	N/A	$ 3.00-7.50
Westpark	N/A	N/A	$ 1.00-6.25
Hwy 90A	N/A	$ 1.75-5.00	$ 1.75-5.00

Toll Rate Schedule Prior to September 3, 2007

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25	$ 1.25	$ 1.00
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.50
Westpark	N/A	N/A	$ 0.35-1.00
Hwy 90A	N/A	$ 0.75	$ 0.50
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.00-6.25	N/A	$ 1.25-6.25
Sam Houston Ship Channel Bridge	$ 3.00-7.50	N/A	$ 3.00-7.50
Westpark	N/A	N/A	$ 1.00-6.25
Hwy 90A	N/A	$ 1.50-4.00	$ 1.50-4.00

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Selected Financial Information
Schedule 3
(Unaudited)

	2005	2006	2007	2008	2009
Operating Revenues					
Toll revenues	$ 317,712,245	$ 349,341,225	$ 392,992,697	$ 428,867,531	$ 442,015,417
Intergovernmental revenues	-	-	1,612,040	1,286,116	994,397
Total Operating Revenues	317,712,245	349,341,225	394,604,737	430,153,647	443,009,814
Operating Expenses					
Salaries	25,852,853	28,771,452	33,198,646	46,510,889	53,515,886
Materials and supplies	2,732,095	7,265,279	23,707,444	11,650,933	8,072,061
Services and fees	26,410,239	28,748,034	39,362,124	30,121,112	51,940,426
Utilities	1,948,440	2,288,230	2,895,118	3,296,602	2,866,487
Transportation and travel	437,235	525,709	690,508	866,963	1,075,839
Depreciation	42,913,450	51,818,107	59,704,746	62,889,174	67,034,586
Total Operating Expenses	100,294,312	119,416,811	159,558,586	155,335,673	184,505,285
Income from Operations	217,417,933	229,924,414	235,046,151	274,817,974	258,504,529
Nonoperating Revenues					
Investment income	6,317,939	19,799,582	39,390,825	49,023,466	41,253,022
Lease revenues	-	1,000,948	740,389	487,579	462,981
Other	-	-	11,251	4,405,838	599,298
Total Nonoperating Revenues	6,317,939	20,800,530	40,142,465	53,916,883	42,315,301
Nonoperating Expenses					
Interest expense	96,222,165	97,189,289	103,386,119	103,326,312	106,674,114
Amortization expense	13,137,957	13,642,903	13,726,840	14,309,780	14,555,334
Other	3,703,190	5,199	-	-	18,770
Total Nonoperating Expenses	113,063,312	110,837,391	117,112,959	117,636,092	121,248,218
Net Income Before Contributions and Transfers Out	110,672,560	139,887,553	158,075,657	211,098,765	179,571,612
Contributions (a)	12,522,506	3,129,512	3,113,317	3,059,437	9,197,722
Transfers In	-	-	-	21,769	-
Transfers Out (b)	(20,130,000)	(20,241,030)	(31,112,333)	(120,480,464)	(120,237,481)
Change in Net Assets	$ 103,065,066	$ 122,776,035	$ 130,076,641	$ 93,699,507	$ 68,531,853

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

(b) Commissioners Court annually authorizes the transfer of HCTRA net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility. The transfers were as follows: fiscal years 2005 & 2006 - $20 million, fiscal year 2007 - $28.4 million, fiscal years 2008 & 2009 - $120 million.

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

Fiscal Year Ending	Project Revenues	(a) Other Earnings	Debt Service Senior Lien Revenue Bonds	Coverage Ratio On Senior Lien Revenue Bonds	(b) O & M Expenses	Revenues Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
2000	$ 198,282,272	$ 19,093,544	$ 48,974,806	4.439	$27,919,182	$ 140,481,828	$ 67,230,590	2.090
2001	217,785,196	30,729,789	50,393,133	4.932	32,873,082	165,248,770	70,100,623	2.357
2002	234,674,805	23,262,829	52,677,208	4.897	33,453,815	171,806,611	74,756,674	2.298
2003	244,170,745	15,926,325	49,727,149	5.230	39,962,567	170,407,354	67,483,545	2.525
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434
2006	349,341,225	20,759,221	75,387,443	4.909	58,899,030	235,813,973	75,453,269	3.125
2007	392,992,697	41,647,566	92,115,954	4.718	74,627,072	267,897,237	75,413,268	3.552
2008	428,867,531	50,694,456	85,536,226	5.607	85,131,990	308,893,771	74,690,589	4.136
2009	442,015,417	42,667,384	99,699,357	4.861	104,062,177	280,921,267	73,760,398	3.809

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

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

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

Component/Segment	2005	2006	2007	2008	2009
Hardy Toll Road-North	$ 13,888,956	$ 14,381,462	$ 14,981,525	$ 18,355,035	$ 19,229,430
Hardy Toll Road-South (a)	17,202,971	17,568,326	18,105,401	22,382,009	23,279,910
Sam Houston Tollway-South	58,765,316	59,541,264	62,831,888	72,011,783	74,453,883
Sam Houston Tollway-Central	51,823,534	54,416,326	56,966,197	61,753,737	63,447,659
Sam Houston Tollway-North	57,182,927	61,428,727	66,076,156	73,733,209	76,515,321
Sam Houston Ship Channel Bridge	19,356,296	21,984,875	23,187,641	24,088,354	21,816,438
Sam Houston Tollway-East	17,157,370	19,122,853	20,360,429	23,551,201	25,109,264
Sam Houston Tollway-South/East	24,144,419	25,641,681	27,344,571	31,543,731	32,969,486
Sam Houston Tollway-South/West	28,280,061	29,206,606	30,703,175	34,661,216	36,374,354
Westpark Tollway	8,730,798	23,036,382	33,316,113	41,871,471	42,232,814
Spur 90A (b)	-	635,501	1,449,018	2,375,092	2,489,264
Administration (c)	20,641,990	21,163,992	35,196,101	17,777,848	17,145,187
Fort Bend	120,916	523,356	1,391,956	1,717,492	1,591,854
IOP-NTTA (d)	416,691	689,874	917,995	1,605,179	2,242,924
IOP-TTA (e)	-	-	164,531	1,435,807	2,589,326
IOP-CTRMA (f)	-	-	-	4,367	33,842
Airport GT (g)	-	-	-	-	17,387
Airport Park (g)	-	-	-	-	477,074
Total	$ 317,712,245	$ 349,341,225	$ 392,992,697	$428,867,531	$ 442,015,417

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

(b) Spur 90A opened in 2006.

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

(d) 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.

(e) 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.

(f) 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 interoperabilty program with CTRMA.

(g) Airport GT and Park opened August 2008.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Bonds Debt Service Requirements
Schedule 6
(Unaudited)

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	$ 41,540,000	$ 45,590,769	$ 87,130,769	$ 28,120,000	$ 82,637,412	$ 110,757,412	$ 69,660,000	$ 128,228,181	$ 197,888,181
2011	43,285,000	43,121,769	86,406,769	34,460,000	80,784,278	115,244,278	77,745,000	123,906,047	201,651,047
2012	44,740,000	40,508,675	85,248,675	37,140,000	78,937,128	116,077,128	81,880,000	119,445,803	201,325,803
2013	47,000,000	37,983,369	84,983,369	43,890,000	76,847,572	120,737,572	90,890,000	114,830,941	205,720,941
2014	57,050,000	27,730,631	84,780,631	47,085,000	74,508,556	121,593,556	104,135,000	102,239,187	206,374,187
2015	62,295,000	20,636,581	82,931,581	50,835,000	72,009,800	122,844,800	113,130,000	92,646,381	205,776,381
2016	40,575,000	18,015,600	58,590,600	54,605,000	69,347,737	123,952,737	95,180,000	87,363,337	182,543,337
2017	26,380,000	16,419,013	42,799,013	58,590,000	66,510,562	125,100,562	84,970,000	82,929,575	167,899,575
2018	26,610,000	15,127,731	41,737,731	62,875,000	63,494,556	126,369,556	89,485,000	78,622,287	168,107,287
2019	27,445,000	13,742,050	41,187,050	62,120,000	60,419,575	122,539,575	89,565,000	74,161,625	163,726,625
2020	28,345,000	12,277,563	40,622,563	65,275,000	57,316,431	122,591,431	93,620,000	69,593,994	163,213,994
2021	29,285,000	10,764,775	40,049,775	68,190,000	54,145,022	122,335,022	97,475,000	64,909,797	162,384,797
2022	19,445,000	9,485,613	28,930,613	71,095,000	50,886,393	121,981,393	90,540,000	60,372,006	150,912,006
2023	20,240,000	8,449,022	28,689,022	33,715,000	48,432,150	82,147,150	53,955,000	56,881,172	110,836,172
2024	20,700,000	7,384,903	28,084,903	38,015,000	46,748,431	84,763,431	58,715,000	54,133,334	112,848,334
2025	21,165,000	6,297,059	27,462,059	39,830,000	44,927,062	84,757,062	60,995,000	51,224,121	112,219,121
2026	12,070,000	5,430,338	17,500,338	42,630,000	42,934,925	85,564,925	54,700,000	48,365,263	103,065,263
2027	12,090,000	4,796,138	16,886,138	46,265,000	40,721,024	86,986,024	58,355,000	45,517,162	103,872,162
2028	12,115,000	4,160,756	16,275,756	50,025,000	38,329,775	88,354,775	62,140,000	42,490,531	104,630,531
2029	12,135,000	3,524,194	15,659,194	53,980,000	35,747,909	89,727,909	66,115,000	39,272,103	105,387,103
2030	12,160,000	2,886,450	15,046,450	58,120,000	32,999,910	91,119,910	70,280,000	35,886,360	106,166,360
2031	12,185,000	2,247,394	14,432,394	62,440,000	30,057,959	92,497,959	74,625,000	32,305,353	106,930,353
2032	12,210,000	1,607,025	13,817,025	65,770,000	26,924,094	92,694,094	77,980,000	28,531,119	106,511,119
2033	12,240,000	965,212	13,205,212	70,425,000	23,614,031	94,039,031	82,665,000	24,579,243	107,244,243
2034	12,265,000	321,956	12,586,956	76,325,000	20,021,894	96,346,894	88,590,000	20,343,850	108,933,850
2035	-	-	-	92,060,000	16,081,180	108,141,180	92,060,000	16,081,180	108,141,180
2036	-	-	-	97,050,000	11,849,957	108,899,957	97,050,000	11,849,957	108,899,957
2037	-	-	-	23,365,000	9,125,662	32,490,662	23,365,000	9,125,662	32,490,662
2038	-	-	-	11,440,000	8,286,738	19,726,738	11,440,000	8,286,738	19,726,738
2039	-	-	-	12,030,000	7,699,987	19,729,987	12,030,000	7,699,987	19,729,987
2040	-	-	-	12,645,000	7,083,113	19,728,113	12,645,000	7,083,113	19,728,113
2041	-	-	-	13,310,000	6,417,600	19,727,600	13,310,000	6,417,600	19,727,600
2042	-	-	-	14,030,000	5,699,925	19,729,925	14,030,000	5,699,925	19,729,925
2043	-	-	-	14,785,000	4,943,531	19,728,531	14,785,000	4,943,531	19,728,531
2044	-	-	-	15,580,000	4,146,450	19,726,450	15,580,000	4,146,450	19,726,450
2045	-	-	-	16,420,000	3,306,450	19,726,450	16,420,000	3,306,450	19,726,450
2046	-	-	-	17,305,000	2,421,169	19,726,169	17,305,000	2,421,169	19,726,169
2047	-	-	-	18,240,000	1,488,113	19,728,113	18,240,000	1,488,113	19,728,113
2048	-	-	-	19,225,000	504,656	19,729,656	19,225,000	504,656	19,729,656
Total	$665,570,000	$ 359,474,586	$1,025,044,586	$ 1,699,305,000	$ 1,408,358,717	$3,107,663,717	$2,364,875,000	$ 1,767,833,303	$4,132,708,303

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

The Series 1994A, Series 1995A, Series 1997, Series 2001, Series 2002, Series 2003, Series 2007C, and Series 2008A Tax Bonds are collectively referred to as the "Toll Road Tax Bonds".

Issue	Date Issued	Outstanding Principal Amount at February 28, 2009
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1994	April 1994	$ 51,610,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1995A	September 1995	500,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	26,755,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2001	May 2001	120,740,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2002	November 2002	42,260,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2003	July 2003	25,720,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	321,745,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2008A	December 2008	76,240,000
TOTAL		$ 665,570,000

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

The Series 2002, Series 2004A, Series 2004B, Series 2005A, Series 2006A, Series 2007A, Series 2007B, and Series 2008B are referred to as the "Senior Lien Revenue Bonds".

Issue		Outstanding Principal Amount at February 28, 2009
Harris County, Texas,		
Toll Road Senior Lien Revenue Refunding Bonds		
Series 2002	$	217,065,000
Harris County, Texas,		
Toll Road Senior Lien Revenue Refunding Bonds		
Series 2004A		168,715,000
Series 2004B		411,135,000
Harris County, Texas,		
Toll Road Senior Lien Revenue Refunding Bonds		
Series 2005A		22,740,000
Harris County, Texas,		
Toll Road Senior Lien Revenue Refunding Bonds		
Series 2006A		135,530,000
Harris County, Texas,		
Toll Road Senior Lien Revenue Refunding Bonds		
Series 2007A		274,075,000
Series 2007B		145,570,000
Harris County, Texas,		
Toll Road Senior Lien Revenue Refunding Bonds		
Series 2008B		324,475,000
TOTAL	$	1,699,305,000

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2009-2010
Schedule 9
(Unaudited)

On March 10, 2009 the Commissioners Court adopted the budget for the County for the Fiscal Year 2010 which included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2010 Budget for the County's Current Operating Funds:

Cash Balance as of March 1, 2009	$ 255,740,997
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	919,651,749
Charges for Services	203,948,551
Fines and Forfeitures	21,088,367
Intergovernmental Revenues	36,813,265
Interest	4,847,910
Other	43,596,037
Total Cash and Estimated Revenues	$ 1,485,686,876
Appropriations:	
Current Operating Expenses	$ 1,370,380,652
Capital Outlay:	
Roads	83,412,335
Parks	31,783,259
Office/Courts	110,630
Total Appropriations	$ 1,485,686,876

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

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2009 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	$	228,492,739
Permanent Improvements		40,353,751
Flood Control		152,754,919
Reliant Park		14,544,303
Total	$	436,145,712

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

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value		M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2000	$136,396,208	$ 26,962,355	$ 22,345,082	$ 141,013,481		0.35780	0.03703	0.39483
2001	150,845,241	28,397,625	25,145,837	154,097,029		0.32599	0.03303	0.35902
2002	165,804,662	30,668,510	28,809,564	167,663,608		0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.38106	0.02133	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756		0.37118	0.02121	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265		0.37007	0.01916	0.38923

(a) Exemptions are primarily made up of the homestead property exemption of 20%. 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 is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per $100 of assessed value.

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

LAST TEN FISCAL YEARS
Schedule 12
(Unaudited)
(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years*	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2000	$ 557,352	$ 557,093	$ 538,011	96.5	$ 16,537	$ 554,548	99.5
2001	553,216	553,173	547,846	99.0	2,487	550,333	99.5
2002	643,711	643,709	617,800	96.0	22,230	640,030	99.4
2003	682,975	682,948	657,498	96.3	21,132	678,630	99.4
2004	704,093	705,269	693,384	98.5	7,287	700,671	99.3
2005	793,759	762,499	740,302	93.3	16,420	756,722	99.2
2006	796,885	820,425	719,922	90.3	94,166	814,088	99.2
2007	887,598	904,512	793,835	89.4	101,885	895,720	99.0
2008	929,929	994,110	910,828	97.9	67,658	978,486	98.4
2009	1,089,141	1,089,141	981,807	90.1	-	981,807	90.1

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

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

	2009			2000		
Taxpayers	2008 Taxable Valuations (a)	Rank	Percentage of Total 2008 Taxable Valuation (b)	1999 Taxable Valuations (a)	Rank	Percentage of Total 1999 Taxable Valuation (c)
Exxon Mobil Corporation	$ 4,037,542	1	1.43	$ 3,030,376	1	2.15
Shell Oil Company	2,638,781	2	0.94	1,160,775	5	0.82
Centerpoint Energy, Inc.	2,500,761	3	0.89	-		0.00
Houston Refining (d)	1,555,086	4	0.55	-		0.00
Chevron Chemical Company	1,493,069	5	0.53	477,197	9	0.34
Equistar Chemicals LP (d)	1,465,828	6	0.52	1,290,425	4	0.92
Crescent Real Estate	1,378,917	7	0.49	754,892	6	0.54
Hines Interests Ltd Partnership	1,248,647	8	0.44	-		0.00
AT&T Mobility LLC	999,524	9	0.35	-		0.00
Lyondell Chemical (d)	993,951	10	0.35	753,476	7	0.53
Hewlett Packard Company	805,651	11	0.29	-		0.00
Cullen Allen Holdings LP	740,183	12	0.26	-		0.00
Walmart	721,534	13	0.26	-		0.00
BP Amoco	666,938	14	0.24	-		0.00
Teachers Insurance	659,700	15	0.23	-		0.00
Houston Lighting and Power Company	-		0.00	2,028,171	2	1.44
Southwestern Bell Telephone	-		0.00	1,449,120	3	1.03
Compaq Computer Corporation	-		0.00	739,107	8	0.52
Occidental Chemical Corporation	-		0.00	464,241	10	0.33
Celanese Ltd	-		0.00	425,815	11	0.30
Conoco, Inc.	-		0.00	386,412	12	0.27
Phillips 66 Company	-		0.00	383,520	13	0.27
Fina Oil & Chemical Company	-		0.00	353,241	14	0.25
Weingarten Realty	-		0.00	346,030	15	0.25
Total	$ 21,906,112		7.77%	$ 14,042,798		9.96%

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, 2009.

(c) Based on the County's total taxable value as of February 20, 2000.

(d) Lyondell Chemical filed for Chapter 11 bankruptcy on January 6, 2009. The County is not certain that it will be able to collect all taxes owed by Lyondell Chemical and its related entities Houston Refining and Equistar Chemical LP to the County.

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

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	$ 1,148,276,629
Unlimited Tax Debt	746,974,593
Flood Control	421,175,000
Toll Road Tax Bonds	665,570,000
Total	$ 2,981,996,222
Less: Toll Road Tax Bonds	(665,570,000)
Total (Approximately 0.64% of 2008 Assessed Value)	$ 2,316,426,222

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

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

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 1999-2000 through 2008-09.

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
2000	$ 1,563,517	$ 141,013,481	1.11%	3,250,404	$ 481
2001	1,572,795	154,097,029	1.02	3,400,578	463
2002	1,640,580	167,663,608	0.98	3,460,589	474
2003	1,928,192	176,215,696	1.09	3,557,055	542
2004	1,968,193	185,156,210	1.06	3,596,086	547
2005	2,258,539	194,263,945	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683
2007	2,856,915	225,237,250	1.27	3,886,207	735
2008	2,768,709	254,222,756	1.09	3,935,855	703
2009	2,981,996	282,177,265	1.06	3,984,349	748

(a) Includes debt paid for by the County's ad valorem tax revenues.

(b) Taxable values are net of exemptions and abatements. Property is assessed at 100% of appraised value.

(c) Source: Bureau of the Census.

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

Fiscal	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Suboridinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	$ 45,940	$ 51,449	$ 97,389	$ 26,245	$ 38,049	$ 64,294	$ 41,540	$ 45,591	$ 87,131	$ 11,573	$ 29,795	$ 41,368	$ 125,298	$ 164,884	$ 290,182
2011	46,940	51,507	98,447	34,630	34,229	68,859	43,285	43,122	86,407	10,269	28,692	38,961	135,124	157,550	292,674
2012	54,760	49,368	104,128	30,690	32,560	63,250	44,740	40,509	85,249	10,109	26,518	36,627	140,299	148,955	289,254
2013	61,675	45,332	107,007	28,005	31,026	59,031	47,000	37,983	84,983	11,455	24,936	36,391	148,135	139,277	287,412
2014	50,730	41,152	91,882	18,503	31,677	50,180	57,050	27,731	84,781	11,805	24,399	36,204	138,088	124,959	263,047
2015	52,657	39,147	91,804	19,933	28,861	48,794	62,295	20,637	82,932	10,760	23,838	34,598	145,645	112,483	258,128
2016	54,412	36,981	91,393	19,648	28,167	47,815	40,575	18,016	58,591	9,785	23,326	33,111	124,420	106,490	230,910
2017	57,227	34,828	92,055	18,989	27,466	46,455	26,380	16,419	42,799	9,045	22,866	31,911	111,641	101,579	213,220
2018	59,151	32,386	91,537	19,357	26,779	46,136	26,610	15,128	41,738	9,450	22,436	31,886	114,568	96,729	211,297
2019	52,996	29,826	82,822	32,040	26,057	58,097	27,445	13,742	41,187	24,245	21,964	46,209	136,726	91,589	228,315
2020	40,146	27,479	67,625	33,685	24,409	58,094	28,345	12,277	40,622	40,100	20,697	60,797	142,276	84,862	227,138
2021	50,520	25,533	76,053	35,410	22,686	58,096	29,285	10,765	40,050	40,655	18,610	59,265	155,870	77,594	233,464
2022	51,255	23,211	74,466	37,785	20,874	58,659	19,445	9,486	28,931	45,170	16,570	61,740	153,655	70,141	223,796
2023	53,605	20,858	74,463	39,670	18,981	58,651	20,240	8,449	28,689	45,290	14,203	59,493	158,805	62,491	221,296
2024	44,531	16,689	61,220	41,670	16,994	58,664	20,700	7,385	28,085	46,605	11,939	58,544	153,506	53,007	206,513
2025	87,822	16,651	104,473	43,755	14,911	58,666	21,165	6,297	27,462	10,055	9,609	19,664	162,797	47,468	210,265
2026	38,914	12,248	51,162	38,140	12,723	50,863	12,070	5,430	17,500	26,255	9,093	35,348	115,379	39,494	154,873
2027	52,700	10,134	62,834	38,140	10,816	48,956	12,090	4,796	16,886	26,255	7,780	34,035	129,185	33,526	162,711
2028	54,965	7,649	62,614	38,140	8,909	47,049	12,115	4,161	16,276	26,255	6,468	32,723	131,475	27,187	158,662
2029	39,140	5,377	44,517	38,135	7,127	45,262	12,135	3,524	15,659	26,255	5,187	31,442	115,665	21,215	136,880
2030	24,830	3,190	28,020	38,135	5,345	43,480	12,160	2,886	15,046	26,255	3,906	30,161	101,380	15,327	116,707
2031	25,530	2,271	27,801	38,135	3,564	41,699	12,185	2,247	14,432	26,255	2,625	28,880	102,105	10,707	112,812
2032	26,280	1,328	27,608	38,135	1,782	39,917	12,210	1,607	13,817	26,255	1,313	27,568	102,880	6,030	108,910
2033	21,550	360	21,910	-	-	-	12,240	965	13,205	-	-	-	33,790	1,325	35,115
2034	-	-	-	-	-	-	12,265	322	12,587	-	-	-	12,265	322	12,587
Total	$ 1,148,276	$ 584,954	$ 1,733,230	$ 746,975	$ 473,992	$ 1,220,967	$ 665,570	$ 359,475	$ 1,025,045	$ 530,156	$ 376,770	$ 906,926	$ 3,090,977	$ 1,795,191	$ 4,886,168

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

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

As of February 28, 2009, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1987, November, 1989, November, 1993, November, 1997, and November, 2001 remain unissued.

The 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.

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

County Ad Valorem Tax Bonds		
Limited Tax:		
Civil Justice Center	$ 33,000	
Parks	95,000	
Forensic Lab	80,000	
Family Law Center	70,000	
Total Limited Tax Bonds		$ 278,000
Unlimited Tax:		
Road Bonds	247,193	
Total Unlimited Tax Bonds		247,193
Combination Unlimited Tax and Revenue:		
Toll Roads	17,673	
Total Unlimited Tax and Revenue Bonds		17,673
Harris County Flood Control District Limited Tax Bonds		-
Total Harris County Ad Valorem Tax Bonds		542,866
Port of Houston Authority Unlimted Tax Bonds		
Port Improvements	250,000	
Deepening and Widening of Houston Ship Channel	-	
Total Port of Houston Authority Bonds		250,000
Total Authorized but Unissued Bonds		$ 792,866

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Harris County General Fund:										
Reserved	$ 76,937	$ 71,535	$ 69,003	$ 105,162	$ 100,143	$ 112,291	$ 146,215	$ 175,301	$ 175,956	$ 202,321
Unreserved	218,634	204,672	246,811	214,160	250,939	203,684	175,581	128,418	192,616	166,726
Total general fund	$ 295,571	$ 276,207	$ 315,814	$ 319,322	$ 351,082	$ 315,975	$ 321,796	$ 303,719	$ 368,572	$ 369,047

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

	Full-time Equivalent Employees as of February 28/29									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Administration of Justice	7,820	8,054	8,177	8,115	8,450	8,554	8,380 **a**	8,168	8,740	9,425
Parks	*	*	*	*	*	*	715	706	732	787
County Administration	2,612	2,758	2,817	2,627	2,720	2,787	2,726	2,871	3,024	3,339
Health and Human Services	*	*	*	*	*	*	1,613	1,604	1,706	1,796
Flood Control	276	270	277	289	331	342	312	333	325	354
Tax Administration	458	460	468	450	465	442	428	426	435	428
Roads and Bridges	677	716	736	752	817	837	782	779	807	856
Other *	1,489	1,613	1,742	2,050	2,287	2,441	*	*	*	*

* Prior to 2006, the smaller expenditure functions were grouped as other on this schedule.
(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: As of February 28, 2009, it is estimated that approximately 2,728 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

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

The employer contributions to the System by the County for the fiscal years 2005 through 2009 are summarized as follows:

	FY2009	FY2008	FY2007	FY2006	FY2005
Employer Contributions	$79,047,481	$75,944,968	$65,922,424	$60,990,625	$60,824,272