Harris County Toll Road Authority
Enterprise Fund

A Department of Harris County, Texas

Basic Financial Statements

For The Fiscal Year Ended

February 28, 2007

Toll Road Enterprise Fund of Harris County, Texas

Financial Statements As of February 28, 2007 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, 2007

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BASIC FINANCIAL STATEMENTS
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INTRODUCTORY SECTION

October 23, 2007

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, 2007. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

The report consists of management's representations concerning the finances of the Authority. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein are accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 9.

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

The Authority's financial statements were audited by Deloitte & Touche LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for fiscal year ended February 28, 2007 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 created by the Harris County Commissioners Court after a

1983 referendum was approved by Harris County voters authorizing issuance of up to $900 million in bonds to construct, operate and maintain toll roads in Harris County.

The Harris County Toll Road System includes approximately 103 miles of roadway in the Houston/Harris county area.

Authority Structure and Services

The Authority is a division of the County's Public Infrastructure Department. The Authority's activities include construction management, engineering, right-of-way acquisition and maintenance, as well as toll operations, including revenue collections.

Budget Process

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

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

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

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

Harris County continues to diversify its economy from its traditional concentration in the energy sector. Much of the recent growth in the economy has come from the trade, transportation, utilities and professional and business services sectors. Since 1995, the services sector of the economy has provided 85 percent of the growth in Houston employment. Harris County continues to be a favorable location for business with 24 of the Fortune 500 companies headquartered in the eight-county Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area ("Houston MSA").

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce, second in total tonnage, and tenth in the world overall. The Port of Houston handled over 200 million tons of cargo and 7550 vessels in 2006. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a $387 million bond issue for the construction of a new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly $1 billion in new business revenues annually.

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

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

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's two medical schools are the University of Texas Medical School and Baylor College of Medicine. Houston area colleges and universities granted 31,758 bachelor, master, doctorial and professional degrees during the 2005-2006 academic year.

Financial Policies and Long-Term Financial Planning

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

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

- Balanced financial operations will be maintained;

- Department heads and business managers are to keep expenditures within allocated budget amounts;

- Full disclosure and open lines of communications will be provided for rating agencies. A continuing goal is continuation and a possible upgrade of the County's debt rating. The bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the County long term bond ratings of Aa1, AA+, and AA+;

- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund;

- Commercial paper is utilized to take advantage of short-term interest rates during interim financing for voter authorized and other court approved projects rather than initially issuing long-term bonds;

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

Authority funds available for investment under the County's investment program as of February 28, 2007 totaled $812.7 million with investment earnings of $39.4 million. The average yield and maturity of such investments were 4.75% and 520 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 2007 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 10 and 11 of the notes to the financial statements.

Major Initiatives

The Toll Road Authority has planned expenditures over the next five years of $2.09 billion. Planned projects include Beltway 8 Northeast, segments of the Grand Parkway, and Hempstead managed lanes at U.S. 290.

ACKNOWLEDGMENTS

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

REQUEST FOR INFORMATION

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

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

FINANCIAL SECTION

Deloitte

Deloitte & Touche LLP
Suite 2300
333 Clay 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 statements of net assets of the Toll Road Authority Enterprise Fund of Harris County, Texas (the "Toll Road Authority") as of February 28, 2007, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the management of Harris County, Texas (the "County). Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Toll Road Authority as of February 28, 2007, 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 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

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

Deloitte & Touche LLP

October 23, 2007

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, 2007.

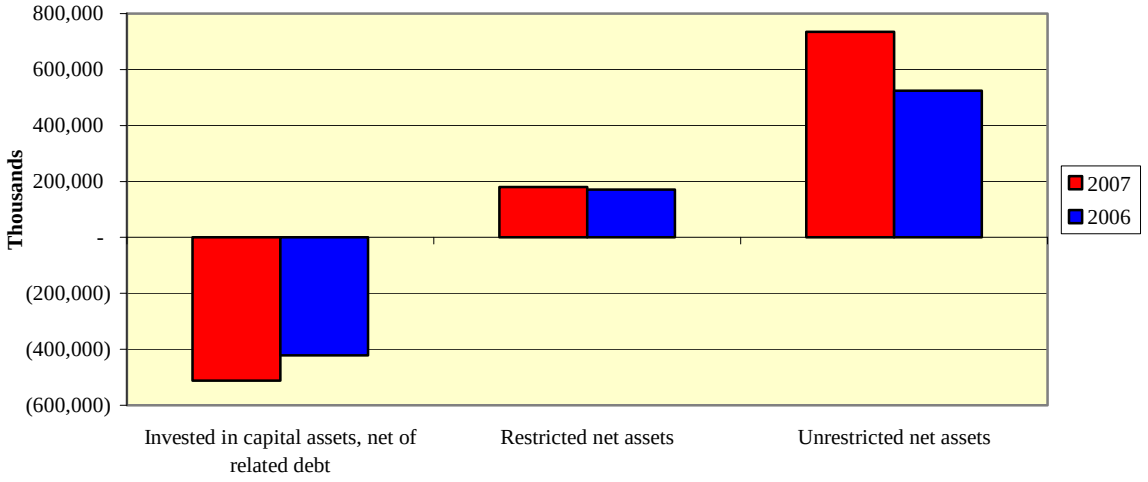
The Authority is an enterprise fund of Harris County, Texas (the "County") and is included in the County's financial statements. This analysis presents information about the Authority and its operations and activities only and is not intended to provide information about the entire County. Please read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

FINANCIAL HIGHLIGHTS

- During fiscal year 2007, the Authority issued $135,530,000 in refunding revenue bonds with related debt service financed through toll revenues. Note 8 to the financial statements provides further details on the new debt issuances.

- Construction of the I-10 corridor continues. On December 17, 2002, Harris County Commissioners Court approved a cooperative agreement between Harris County (acting through the Harris County Toll Road Authority), the Texas Department of Transportation and the Federal Highway Administration that allows for four managed lanes to be designed, built, operated, monitored, and maintained within the limits of Interstate Highway 10 from west of State Highway 6 to Interstate Highway 610. The total distance is approximately 12 miles and tolls for usage of the managed lanes will be determined using peak period pricing. The Authority's financial commitment for this project is $237,500,000 to be paid over a five-year period. One payment of $37,500,000 was made in fiscal year 2004, two payments totaling $50,000,000 in fiscal year 2006 and payments totaling $100,000,000 have been made in the current fiscal year for a total of $187,500,000.

- Total net assets are comprised of the following:
  (1) Capital assets, net of related debt, a deficit of $511,673,541 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net assets decreased $90,216,764 from the previous year.
  (2) Net assets of $180,364,432 are restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net assets increased by $9,787,193 from the prior year due to an increase in the debt service reserve.
  (3) Unrestricted net assets of $734,894,034 represent the portion available to meet ongoing obligations of the Authority. Unrestricted net assets increased $210,506,212 due to an overall increase in toll revenues.



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 on pages 20 through 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The total net assets of the Authority exceeded liabilities at February 28, 2007 by $403,584,925 and $273,508,284 for fiscal year ended 2006. Net assets increased primarily due to an increase in Toll Revenues and an increase in tangible assets.

Harris County Toll Road Enterprise Fund
Condensed Statement of Net Assets
February 28, 2007 and February 28, 2006
(Amounts in thousands)

	2007	2006
Current restricted assets	$ 831,728	$ 753,090
Capital assets, net	1,533,455	1,538,422
Other non-current assets	241,305	109,301
Total assets	2,606,488	2,400,813
Current liabilities - restricted	114,132	127,727
Non-current liabilities	2,088,771	1,999,578
Total liabilities	2,202,903	2,127,305
Net assets:		
Invested in capital assets, net of related debt	(511,674)	(421,457)
Restricted net assets	180,365	170,577
Unrestricted net assets	734,894	524,388
Total net assets	$ 403,585	$ 273,508

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 $89,105,379, an increase in unspent proceeds of $3,855,758, while capital assets decreased by $4,967,143, causing an overall decrease in capital assets net of related debt of $90,216,764. 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 nets 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, 2007 and February 28, 2006

	2007	2006
Revenues:		
Operating revenues:		
Toll revenue	$ 392,993	$ 349,341
Intergovernmental revenue	1,612	-
Nonoperating Revenues:		
Investment income	39,391	19,800
Lease revenue	740	1,001
Gain on disposal of capital assets	11	-
Total revenues	434,747	370,142
Expenses:		
Operating Expenses:		
Salaries	33,199	28,772
Materials and supplies	23,707	7,265
Services and fees	39,362	28,749
Utilities	2,895	2,288
Transportation and travel	690	526
Depreciation	59,705	51,818
Nonoperating Expenses:		
Interest expense	103,386	97,189
Amortization expense	13,727	13,643
Loss on disposal of capital assets	-	5
Total expenses	276,671	230,255
Income before contributions and transfers	158,076	139,887
Contributions	3,113	3,130
Transfers out	(31,112)	(20,241)
Change in net assets	130,077	122,776
Net assets - beginning	273,508	150,732
Net assets - ending	$ 403,585	$ 273,508

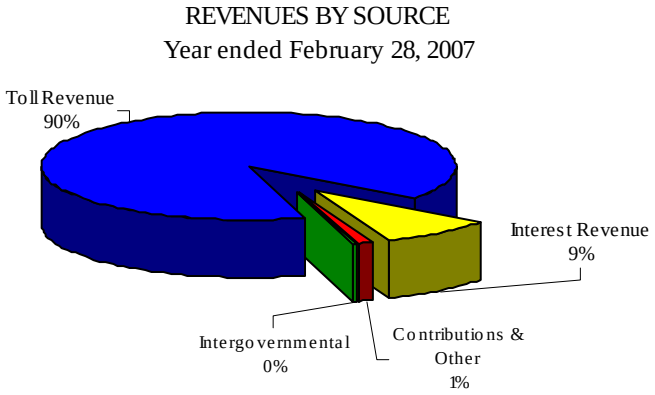
Revenues and Contribution

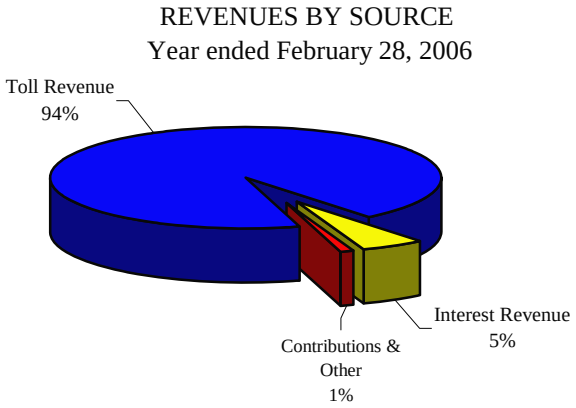
Total revenues and contributions for fiscal year 2007 were $437,860,519, an increase of $64,589,252 in revenues and contribution from fiscal year 2006 of $373,271,267.

The largest revenue source is toll revenue of $392,992,697 or 90% of total revenues and contributions. This revenue category increased $43,651,472 from fiscal year 2006. This is primarily due to an average increase of 12.5% at all toll plazas. The biggest increases were noted at Westpark Tollway up $12.2 million from 2006 and administration collections up $14 million over 2006. Administration represents EZ tag sales, video enforcement center collections and unpaid toll collections.

Contributions and other revenues totaled $3,864,957 or 1% of total revenues and contributions. Contributions of $3,113,317 for fiscal year 2007 decreased $16,195 compared to fiscal year 2006 contributions of $3,129,512. Other revenue consists of lease revenue of $740,389 and gain on disposal of capital assets of $11,251. Intergovernmental revenue of $1,612,040 is less than 1% of total revenues and contributions.

Interest revenue for fiscal year 2007 totaled $39,390,825 and comprises 9% of total revenues and contributions. This revenue source increased $19,591,243 from fiscal year 2006 of $19,799,582. The increase is attributable to higher interest rates and larger investment balances.





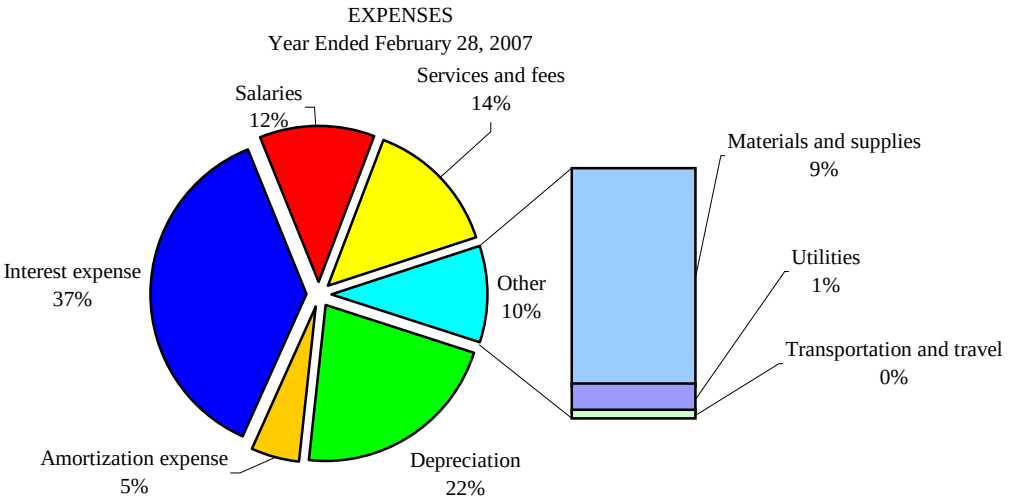
Expenses

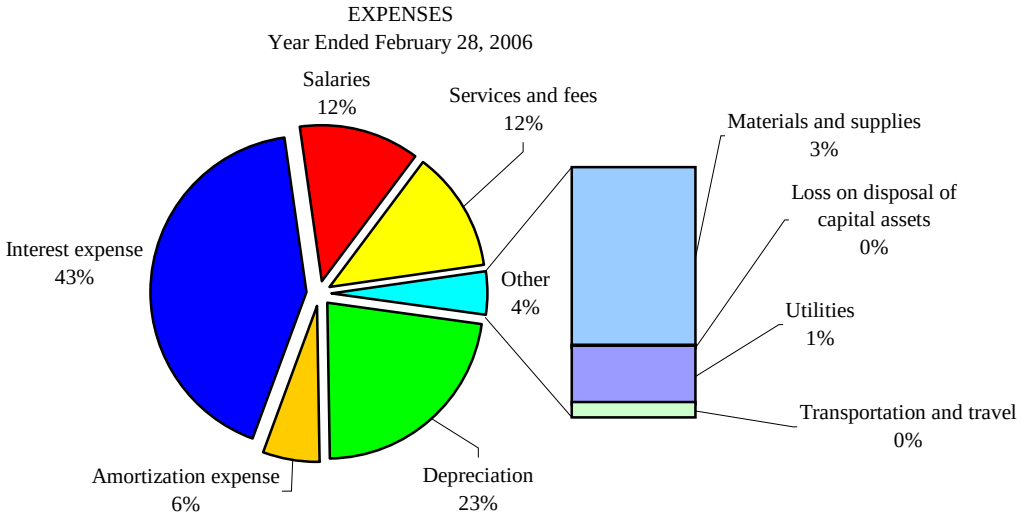
For fiscal year ended February 28, 2007, expenses totaled $276,671,545, and increased $46,417,343 from fiscal year 2006 of $230,254,202.

Interest expense of $103,386,119 is the Authority's largest expense category and is 37% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

$27,293,070 or 10% of total expenses represents other expenses and consists of outlays relative to materials and supplies, utilities, and transportation and travel. This expense category increased by $17,208,653 from fiscal year 2006 of $10,084,417. There was an increase of $16,442,165 in materials and supplies, due to change to sticker tags for the Authority's EZ tag inventory. The remaining difference in the other expense category consists of increases in utilities and transportation and travel expenses and a decrease in loss on disposal of capital assets.

The remaining 53% of expenses consisted of salaries (12%), service fees (14%), depreciation (22%) and amortization expense (5%). All of these expense categories were comparable to the prior year.





Transfers Out

The largest component of transfers out was a $30.6 million annual allocation in the amount of $7.1 million per precinct and $2.2 million to management services, to fund non-toll County roads that connect

or enhance the traffic flow to toll road facilities. The remaining $512,333 was for payments to the Harris County Radio Operations fund and Harris County Risk Management fund for services provided.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets, net of accumulated depreciation as of February 28, 2007 and February 28, 2006, amounted to $1,533,454,964 and $1,538,422,107, respectively. These capital assets include land, buildings, equipment, and infrastructure. The Authority's capital assets, net of accumulated depreciation decreased $4,967,143 from fiscal year 2006.

For further information regarding capital assets, see Note 7 to the financial statements.

	Balance February 28, 2007	Balance February 28, 2006
Land	$ 375,641	$ 351,466
Right-of-way	250,816,776	248,540,448
Construction in progress	156,334,315	154,607,468
System integration in progress	12,501,948	11,953,380
Land improvements	2,187,021	694,561
Infrastructure	1,729,292,350	1,682,805,435
Other tangible assets	3,426,750	3,414,800
Buildings	18,224,819	18,224,819
Equipment	10,336,268	8,307,542
	2,183,495,888	2,128,899,919
Less: Accumulated depreciation	(650,040,924)	(590,477,812)
Totals	$ 1,533,454,964	$ 1,538,422,107

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 $2,154,896,574. This represents an $87,344,936 increase from last fiscal year, primarily due to issuance of Senior Lien Revenue Refunding Bonds, Series 2006A of $135,530,000 and commercial paper issuance of $12,610,000. Refer to Note 8 to the financial statements for further detail on the Authority's long-term debt.

	Outstanding at February 28, 2007	Outstanding at February 28, 2006
Bonds payable	$ 2,140,523,389	$ 2,054,159,113
Commercial paper payable	12,610,000	-
Judgments payable	921,162	12,723,000
Compensatory time payable	842,023	669,525
Totals	$ 2,154,896,574	$ 2,067,551,638

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)755-4832, 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, 2007

ASSETS	
Current restricted assets:	
Cash and cash equivalents	$ 134,582,648
Investments	682,181,000
Receivables, net	59,771
Accrued interest receivable	5,193,987
Other receivables, net	6,398,356
Inventories	2,370,121
Prepaids and other assets	941,851
Total current restricted assets	831,727,734
Non-current assets:	
Advances to primary government	26,991,021
Lease receivable	2,360,225
Notes receivable	1,874,654
Capital Assets:	
Land and construction in progress	420,028,680
Other capital assets, net of depreciation	1,113,426,284
Intangible	187,500,000
Deferred charges, net of amortization	22,579,732
Total non-current assets	1,774,760,596
Total assets	2,606,488,330
LIABILITIES	
Current liabilities - payable from restricted assets:	
Vouchers payable	13,312,224
Accrued payroll and compensated absences	3,005,574
Retainage payable	2,491,188
Customer deposits	4,781,129
Due to primary government	161,167
Due to other units	1,046,594
Deferred revenue	23,739,429
Current portion of long-term liabilities	65,594,793
Total current liabilities	114,132,098
Non-current liabilities:	
Bonds payable	2,074,928,596
Commercial paper payable	12,610,000
Judgements payable	921,162
Compensatory time payable	311,549
Total non-current liabilities	2,088,771,307
Total liabilities	2,202,903,405
NET ASSETS	
Invested in capital assets, net of related debt	(511,673,541)
Restricted for capital projects	36,337,439
Restricted for debt service	144,026,993
Unrestricted	734,894,034
Total net assets	$ 403,584,925

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, 2007

OPERATING REVENUE	
Toll revenue	$ 392,992,697
Intergovernmental	1,612,040
Total operating revenue	394,604,737
OPERATING EXPENSES	
Salaries	33,198,646
Materials and supplies	23,707,444
Services and fees	39,362,124
Utilities	2,895,118
Transportation and travel	690,508
Depreciation	59,704,746
Total operating expenses	159,558,586
Operating income	235,046,151
NONOPERATING REVENUES	
Investment income	39,390,825
Lease income	740,389
Gain on disposal of capital assets	11,251
Total nonoperating revenues	40,142,465
NONOPERATING EXPENSES	
Interest expense	103,386,119
Amortization expense	13,726,840
Total nonoperating expenses	117,112,959
Income before contributions and transfers	158,075,657
Contributions	3,113,317
Transfers out	(31,112,333)
Change in net assets	130,076,641
Net assets, beginning of year	273,508,284
Net assets, end of year	$ 403,584,925

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from toll	$ 393,180,558
Payments to employees	(32,461,065)
Payments to vendors	(76,998,218)
Internal activity - net receipts from other funds	109,777
Net cash provided by operating activities	283,831,052
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(31,112,333)
Net cash used for noncapital financing activities	(31,112,333)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from lease of capital assets	740,389
Purchases of capital assets	(65,371,881)
Proceeds from sale of capital assets	55,481
Purchases of intangible assets	(100,000,000)
Principal and escrow paid on capital debt	(60,170,000)
Interest paid on capital debt	(104,173,269)
Proceeds from capital debt	148,786,916
Bond issuance cost	(1,173,288)
Net cash used for capital and related financing activities	(181,305,652)
CASH FLOWS FROM INVESTING ACTIVITIES	
Internal payment to other funds	(26,991,021)
Purchase of investments	(671,949,812)
Proceeds from sale and maturity of investments	656,139,911
Interest received	31,978,429
Net cash used for investing activities	(10,822,493)
Net change in cash and cash equivalents	60,590,574
Cash and cash equivalents, beginning	73,992,074
Cash and cash equivalents, ending	$ 134,582,648
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 235,046,151
Adjustments to operations:	
Depreciation	59,704,746
Changes in assets and liabilities:	
Receivables, net	41,669
Notes and leases receivable	(4,234,879)
Prepaids and other assets	185,740
Inventories	4,661,352
Vouchers payable and accrued liabilities	(3,049,427)
Retainage payable	(699,743)
Due to other units	317,067
Other liabilities	(11,074,909)
Deferred revenue	2,769,031
Compensatory time payable	164,254
Net cash provided by operating activities	$ 283,831,052
Noncash operating, capital and related financing and investing activities:	
Capital contribution received from other governments	$ 1,350,619
Increase in the fair market value of investments	2,152,448

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 13, 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 and the Sam Houston 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 8, 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. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 43"), establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans.* Implementation of GASB 43 is reflected in the statements and note disclosure.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an Amendment of NCGA Statement 1* ("GASB 44"), updates the statistical section requirements to include guidance for all types of state and local governments, improve the understandability, comparability, and usefulness in the statistical section of the CAFR, and assist users in assessing the state or local government's economic condition. Implementation of GASB 44 does not affect the Authority since it does not present a statistical section for GFOA certification.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB 34* ("GASB 46"), clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. GASB 46 states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing legislation or if legal enforceability is reevaluated. Finally, GASB 46 requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Implementation of GASB 46 is reflected in the statements.

GASB Statement No. 47, *Accounting for Termination Benefits* ("GASB 47"), establishes accounting standards for termination benefits (voluntary and involuntary). Implementation of GASB 47 does not have an affect on the Authority.

Basis of Presentation and Measurement Focus**-** The accompanying basic financial statements have been prepared on the full accrual basis of accounting as prescribed by the GASB. Full accrual accounting uses a flow of economic resources measurement focus. Under this measurement focus, the Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board

("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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, 2007, 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 as of February 28, 2007 multiplied by the weighted average unit price per tag.

Capital Assets – Capital assets include land, 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 was opened for operations. Prior to fiscal year 2001, net interest and other bond costs have been capitalized based on the percentage of miles of the uncompleted sections to the total miles of the project. Since fiscal year 2001, interest had been capitalized based on the weighted average accumulated expenses multiplied by the weighted average interest rate. Such capitalization increased the total cost of assets constructed by the Toll Road Project by $1,002,195 during fiscal year 2007.

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 reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2007 was $850,000 per occurrence. No claims settled during the last three fiscal years have exceeded this coverage.

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

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

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

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

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 480 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay 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, 2007, the carrying amount of the Authority's demand and time deposits was $8,722,763 and the balance per various financial institutions was $61,922. 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 US 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 US.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than AA 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 that the County has obtained a signed master repurchase agreement with the company into which the agreement is entered, as authorized by the Public Funds Investment Act.
8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of $1 per share as authorized by the Public Funds Investment Act.

10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
11. Public Funds Investment Pools as authorized by the Investment Act.

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value. The following is a summary of cash and investments held by the Authority at February 28, 2007.

	Totals
Cash and Cash Equivalents	$134,582,648
Investments	682,181,000
Total Cash & Investments	816,763,648

The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2007, 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	$ 13,448,564	1.66%	$ 13,500,000	0.0251	AAA/Aaa
FHLB	227,013,004	28.09%	227,775,000	0.2669	AAA/Aaa
FHLMC	93,628,922	11.59%	94,711,000	0.0501	AAA/Aaa
FNMA	254,775,521	31.53%	256,159,000	0.3309	AAA/Aaa
Commercial Paper					
AGFC	6,877,778	0.85%	6,900,000	0.0006	A-1/P-1
AIG	4,496,712	0.56%	4,500,000	0.0001	A-1+/P-1
AMEX	4,973,550	0.62%	5,000,000	0.0006	A-1/P-1
GECC	78,847,599	9.76%	80,000,000	0.0260	A-1+/P-1
TMCC	60,340,782	7.47%	60,500,000	0.0041	A-1+/P-1
Local Governments					
Sunnyvale Cal	1,626,227	0.20%	1,625,000	0.0008	SP-1+
Indiana BD BK	6,308,562	0.78%	6,290,000	0.0086	AAA/Aaa
Philadelphia, Pennsylvania	2,363,735	0.29%	2,375,000	0.0010	AAA/Aaa
State of Texas	2,001,683	0.25%	2,015,000	0.0001	AA2/AA
Money Market Funds					
AIM STIT Treasury Portfolio	46,015,545	5.69%	46,015,545	N/A	AAAm/Aaa
Fidelity Institutional-Tax Exempt	5,322,701	0.66%	5,322,701	N/A	AAAm/Aaa
Total Investments & Cash Equivalents	808,040,885	100.00%	$ 812,688,246	0.7149	
Demand and Time Deposits	8,722,763				
Total Cash & Investments	$ 816,763,648				

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, 2007, the Authority was in compliance with all of these guidelines to manage interest rate risk.

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

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2007, 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	463,312,000	241
Toll Road Debt Service	Matching	270	112,565,000	197
Toll Road Renewal/Replacement	Matching	1,800	131,000,000	336
Toll Road Bond Reserve	Matching	1,800	22,973,000	866
Harris Co/Metro Joint Escrow	Matching/Barbell	5,400	31,500,000	622
Money Market Mutual Funds	N/A	N/A	51,338,246	N/A
			$ 812,688,246	

3. OTHER RECEIVABLES

Other receivables as of February 28, 2007 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of $6,398,356 is reported net of allowance for doubtful accounts of $25,844,197. As of August 2004, the Authority entered into an agreement with Linbarger, Goggan, Blair & Sampson, L.L.P. to provide collection services in the place of the county attorney. The fee per invoice is $50.00 and is included in the receivables balance.

Proprietary funds report deferred revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Authority reported $23,739,429 in deferred revenues for unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 28, 2007 are comprised of the following:

	Outstanding March 1, 2006	**Issued**	**Receipts**	**Outstanding February 28, 2007**
Sam Houston Race Park	$ 144,044	$ -	$ (7,581)	$ 136,463
Uptown Houston	-	1,738,191	-	1,738,191
Notes receivable	$ 144,044	$ 1,738,191	$ (7,581)	$ 1,874,654

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 28, 2007 are comprised of the following:

Prepaid surety expense	$ 639,048
Prepaid office expenses	30,103
Advance funding for Beltway 8 project	272,700
Total	$ 941,851

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

6. INTANGIBLE ASSET

On December 17, 2002, the Commissioners Court authorized a tri-party agreement among Harris County (acting through the Harris County Toll Road Authority), Texas Department of Transportation and Federal Highway Administration to participate in the reconstruction of IH10 Katy Freeway. Under this agreement, the Authority will provide funding in the amount of $237.5 million, net of $12.5 million credit for design, construction, operation and maintenance of a Toll Facility. The Authority's financial commitment for this project will be paid over a five-year period. As of February 28, 2007, seven payments have been made for a total of $187.5 million. The payments pay for the license to the real property within the limits of and for the right to operate 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 operations begin. The amortization will be based on revenues received. The Toll Facility will revert to the State when the County has been fully paid the reimbursement from revenue or upon payment by the State to the County of an amount equal to the difference between the total amount of the reimbursement and the actual amount paid to the County as of the date of such reversion. The Toll Facility may revert to the State at any time after such full payment, subject to the State giving the County 90 days' prior written notice.

7. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007 was as follows:

	Balance March 1, 2006	Additions	Deletions	Transfers	Balance February 28, 2007
Land	$ 351,466	$ 2,000	$ -	$ 22,175	$ 375,641
Right of way	248,540,448	2,367,503	(69,000)	(22,175)	250,816,776
Construction in progress	154,607,468	50,559,238	(853,016)	(47,979,375)	156,334,315
System Integration in progress	11,953,380	1,333,146	-	(784,578)	12,501,948
Total capital assets not depreciated	415,452,762	54,261,887	(922,016)	(48,763,953)	420,028,680
Land improvements	694,561	-	-	1,492,460	2,187,021
Infrastructure	1,682,805,435	-	-	46,486,915	1,729,292,350
Other tangible assets	3,414,800	11,950	-	-	3,426,750
Buildings	18,224,819	-	-	-	18,224,819
Equipment	8,307,542	1,448,660	(84,094)	664,160	10,336,268
	1,713,447,157	1,460,610	(84,094)	48,643,535	1,763,467,208
Less accumulated depreciation for:					
Land improvements	(80,237)	(90,695)	-	-	(170,932)
Infrastructure	(581,556,955)	(56,839,895)	-	-	(638,396,850)
Other tangible assets	(239,983)	(876,331)	-	-	(1,116,314)
Buildings	(2,061,037)	(392,001)	-	-	(2,453,038)
Equipment	(6,539,600)	(1,505,824)	86,362	55,272	(7,903,790)
	(590,477,812)	(59,704,746)	86,362	55,272	(650,040,924)
Total capital assets being depreciated, net	1,122,969,345	(58,244,136)	2,268	48,698,807	1,113,426,284
Total capital assets, net	$ 1,538,422,107	$ (3,982,249)	$ (919,748)	$ (65,146)	$ 1,533,454,964

The $65,146 balance in the transfers column, is due to assets that were transferred to Harris County funds.

8. 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 2006-2007 were as follows:

	Outstanding March 1, 2006	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2007	Due Within One Year
Senior Lien Revenue Bonds	$ 1,294,675,000	$ 135,530,000	$ (20,890,000)	$ 1,409,315,000	$ 23,000,000
Tax Bonds	711,421,798	-	(6,922,906)	704,498,892	6,068,227
Total Bond Principal	2,006,096,798	135,530,000	(27,812,906)	2,113,813,892	29,068,227
Unamortized Discount, Rev. Series 1997	(1,359,386)	-	68,822	(1,290,564)	-
Unamortized Premium, Rev. Series 2002	6,922,417	-	(1,367,958)	5,554,459	-
Unamortized Premium, Rev. Series 2004A	6,046,650	-	(152,127)	5,894,523	-
Unamortized Premium, Rev. Series 2004B	34,168,914	-	(4,062,877)	30,106,037	-
Unamortized Premium/Disc., Rev. Series 2005A	8,558,695	-	(140,349)	8,418,346	-
Unamortized Premium, Rev. Series 2006A	-	1,444,319	(12,294)	1,432,025	-
Unamortized Premium, Tax Series 1991	6,595,583	-	(3,614,517)	2,981,066	-
Unamortized Premium, Tax Series 1992A	2,170,006	-	(1,144,770)	1,025,236	-
Unamortized Premium, Tax Series 1992B	690,551	-	(365,021)	325,530	-
Unamortized Premium, Tax Series 1994A	1,929,528	-	(355,967)	1,573,561	-
Unamortized Premium, Tax Series 1995A	18,827,915	-	(1,622,689)	17,205,226	-
Unamortized Premium, Tax Series 1997	3,164,416	-	(671,304)	2,493,112	-
Unamortized Premium, Tax Series 2001	1,204,809	-	(208,870)	995,939	-
Unamortized Premium, Tax Series 2002	1,908,101	-	(197,869)	1,710,232	-
Unamortized Discount, Tax Series 2003	(2,604,627)	-	(185,000)	(2,789,627)	-
Accretion of Discount - Capital Appreciation Bonds:					
Unlimited Tax Series 1991	39,629,267	5,656,202	(16,515,000)	28,770,469	15,543,607
Unlimited Tax Series 1992A and 1992B	25,944,584	3,404,471	(10,405,880)	18,943,175	10,234,440
Unlimited Tax Series 1994A	7,828,014	689,055	(4,246,214)	4,270,855	4,270,855
Unlimited Tax Series 1995A	9,396,884	3,336,460	-	12,733,344	-
Unlimited Tax Series 1997	5,663,681	1,386,488	(1,190,000)	5,860,169	1,062,484
Deferred Amount on Refunding	(137,450,365)	-	12,531,569	(124,918,796)	-
Accrued Interest Payable	8,826,678	103,948,429	(107,359,927)	5,415,180	5,415,180
Total Bonds Payable	2,054,159,113	255,395,424	(169,031,148)	2,140,523,389	65,594,793
Commercial Payer Payable	-	12,610,000	-	12,610,000	-
Compensatory Time Payable	669,525	694,728	(522,230)	842,023	530,474
Judgments Payable	12,723,000	921,162	(12,723,000)	921,162	-
Totals - Toll Road Fund Debt	$ 2,067,551,638	$ 269,621,314	$ (182,276,378)	$ 2,154,896,574	$ 66,125,267

A. Outstanding Bonded Debt – February 28, 2007 – Pertinent Information by Issue

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2007
Senior Lien Revenue Bonds					
Refunding Series 1997	$ 65,550,000	3.85-5.125	1997	1997-2024	$ 62,895,000
Refunding Series 2002	397,520,000	5.00-5.375	2002	2003-2032	387,795,000
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	446,615,000
Refunding Series 2005A	207,765,000	4.50-5.25	2005	2026-2035	207,765,000
Refunding Series 2006A	135,530,000	4.50-5.00	2006	2006-2036	135,530,000
Total Principal Senior Lien Revenue Bonds					1,409,315,000
Unamortized Premiums and Discounts					50,114,826
Total Senior Lien Revenue Bonds					$ 1,459,429,826
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1991 - CAB	$ 6,095,000	6.95-7.25	1991	2001-2008	$ 1,490,000
Refunding Series 1992A - CAB	13,820,000	5.80-6.80	1992	1997-2008	2,620,000
Refunding Series 1992B - CAB	3,100,000	5.80-6.80	1992	1997-2008	463,368
Refunding Series 1994 A	59,925,000	6.50-8.00	1994	2008-2024	59,925,000
Refunding Series 1994A - CAB	30,881,713	5.70-6.25	1994	2001-2007	3,555,524
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	150,395,000
Refunding Series 1997 - CAB	2,790,000	3.90-5.25	1997	1998-2013	1,050,000
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	321,500,000
Total Tax Bonds					704,498,892
Unamortized Premiums and Discounts					25,520,275
Accretion of Discount - Capital Appreciation Bonds					70,578,012
Total Tax Bonds					$ 800,597,179

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 4.72 of February 28, 2007.

C. Debt Service Requirements

Total interest expense was $103,386,119 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal At 2/28/2007	Capital Appreciation Bonds	Principal Value At Maturity	Interest	Total
2008	$ 29,068,227	$ 31,111,386	$ 60,179,613	$ 139,486,346	$ 199,665,959
2009	36,255,665	22,788,067	59,043,732	133,776,959	192,820,691
2010	68,750,000	5,326,454	74,076,454	113,707,218	187,783,672
2011	76,885,000	4,230,333	81,115,333	109,584,431	190,699,764
2012	81,205,000	3,383,382	84,588,382	105,175,216	189,763,598
2013-2017	469,785,000	3,738,390	473,523,390	411,574,319	885,097,709
2018-2022	442,535,000	-	442,535,000	283,209,040	725,744,040
2023-2027	257,890,000	-	257,890,000	195,301,313	453,191,313
2028-2032	311,770,000	-	311,770,000	126,278,292	438,048,292
2033-2036	339,670,000	-	339,670,000	37,230,446	376,900,446
Total	$ 2,113,813,892	$ 70,578,012	$ 2,184,391,904	$ 1,655,323,580	$ 3,839,715,484

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, 2007, 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, 2007, the outstanding principal balance of these defeased bonds was $1,469,566,000.

F. Debt Issuances

On October 12, 2006, the County issued $135,530,000 Toll Road Senior Lien Revenue Bonds, Series 2006A to provide funds for certain qualifying costs of the IH-10 West Toll Lanes, to provide for the capitalized interest on the bonds, to satisfy the increase in Debt Service Reserve Fund requirements and to pay costs incurred in connection with the issuance of the bonds. The annual interest rates range from 4.5% to 5.0%. The issuance had a premium of $1,444,319. Interest accrues semiannually and the bonds mature in fiscal year 2036.

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, 2007, the Toll Road has $12,610,000 outstanding commercial paper.

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

The Notes program will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. Interest on the Notes is payable on an actual/365

or 366-day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowed by law, currently 15%. A minimum purchase of $100,000 aggregate principal amount and integral multiples of $1,000 in excess thereof is required.

The Notes will have a maximum maturity date of August 15, 2031 and no Series E Note shall (i) mature after the maximum maturity date, (ii) have a term in excess of 270 days, (iii) have a term beyond the third business day prior to the scheduled expiration date for the credit agreement relating to such Series E Note or (iv) be issued at any time that a "no issuance notice" has been issued by the credit provider pursuant to the credit agreement which provides that such Series E Note would not be entitled to the security provided by the credit agreement.

The Toll Road entered into a Revolving Credit Agreement as of October 1, 2001 with Dexia Credit Local, whereby Dexia has agreed to advance up to $200 million to the Toll Road to pay the principal of any or all maturing Series E Notes as necessary for a period through October 24, 2008, which is the date of expiration. For this agreement, the County will be assessed a fee of .09% per annum on the aggregate amount of the commitment. The Lender agrees that it will on the first to occur of the Revolving Credit Maturity Date or the 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 following is the expected debt service requirements for the Commercial Paper issuance. These requirements assume that as of February 28, 2007 the Authority had drawn down the outstanding principal balance on the line of credit and subsequently executed term loans with the bank for a principal balance of $12,610,000 at the average rate for the quarter ending February 28, 2007 and reflect the effects of any refundings:

	Business-type Activities		
Fiscal year	**Principal**	**Interest**	**Total**
2008	$ -	$ 628,777	$ 628,777
2009	2,101,667	1,782,972	3,884,639
2010	4,203,334	1,208,459	5,411,793
2011	4,203,334	577,958	4,781,292
2012	2,101,665	52,542	2,154,207
2013	-	-	-
	$ 12,610,000	$ 4,250,708	$ 16,860,708

H. Subsequent Bond Issuances

On June 14, 2007, the County issued $275,340,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2007A and $145,570,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B (LIBOR-Index Floating Rate) to refund and defease a portion of the County's outstanding Toll Road Revenue Refunding Bonds, Series 1997, Toll Road Revenue and Refunding Bonds, Series 2002 and Toll Road Revenue and Refunding Bonds, Series 2005A, to purchase bond insurance policies for the bonds and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.0%. The issuance had a premium of $10,050,336. Interest accrues semiannually and the bonds mature in fiscal year 2035.

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

9. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 28, 2007 were as follows:

Balance March 1, 2006	Earned	Taken/ Paid	Balance February 28, 2007	Due Within One Year
$ 669,525	$ 694,728	$ (522,230)	$ 842,023	$ 530,474

10. 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 575 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 2007 is 10.43%. The contribution rates for calendar years 2006 and 2005 were 9.81% and 10.05%, 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 9.81% for the months of the calendar year in 2006, and 10.43% for the months of the calendar year in 2007.

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

Annual Pension Cost - For the County's accounting year ended February 28, 2007, the annual pension cost for the TCDRS plan for its employees, including the Authority, was $65,922,424 and the actual contributions for the Authority were $2,373,807.

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, 2005 and December 31, 2006, the basis for determining the contribution rates for calendar years 2006 and 2007. The December 31, 2006 report is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/04	12/31/05	12/31/06
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, closed
Amortization period in years	20	20	15
Asset Valuation Method	Long-term appreciation with adjustments	Long-term appreciation with adjustments	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.5 %	5.5 %	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
2/28/07	$ 65,922,424	100%	-
2/28/06	$ 60,990,625	100%	-
2/28/05	$ 60,824,272	100%	-

Schedule of Funding			
Actuarial Valuation Date	12/31/04	12/31/05 (2)	12/31/06
Actuarial Value of Assets	$1,789,864,440	$1,950,248,224	$2,184,433,915
Actuarial Accrued Liability (AAL)	$2,005,039,645	$2,161,164,457	$2,322,483,635
Unfunded Actuarial Accrued Liability (UAAL)	$ 215,175,205	$ 210,916,233	$ 138,049,720
Funded Ratio	89.27%	90.24%	94.06%
Annual Covered Payroll (Actuarial)	$ 623,386,613	$ 631,353,087	$ 682,345,135
UAAL as Percentage of Covered Payroll (2) Funding information differs from prior year compliance data due to plan changes effective 1/1/2007	34.52%	33.41%	20.23%

11. OTHER POST EMPLOYMENT BENEFITS

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, 2006, the date of the latest actuarial valuation, consists of the following:

Retirees and benficiaries receiving benefits	2,893
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	13,842
Number of participating employers	5

Summary of Significant Accounting Policies

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

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

Contributions

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

Retired Prior to March 1, 2002:

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

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

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

Eligible to Retire March 1, 2011 or After:

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

Employees Hired on or After March 1, 2007:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2007, plan members or beneficiaries receiving benefits contributed $3.3 million, or approximately 16 percent of total premiums. Participating employers contributed $16.9 million. The total contributions for the year ended February 28, 2007 was $20.2 million. Administrative costs are provided for through the annual rate calculation.

12. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of $92,668,913.

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. Total liabilities of $921,162 for Judgments Payable have been recorded in the basic financial statements as a restricted long term liability. An additional amount of $1,949,000 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

Joint Deposit/Escrow Account

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

13. TRANSFERS AND ADVANCES

The Commissioners Court approved a $28.4 million annual allocation for funding of a County thoroughfare program to enhance the traffic flow to current or proposed toll facilities. This allocation is available for each precinct in the equal amount of $7.1 million. In addition, there was $2.2 million allocated to Management Services.

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.

14. REVENUE LEASES

Operating Leases

The Authority is the lessor in several operating leases for office space. The leases will expire over the next 15 years. The buildings are carried at $5,695,744 with accumulated depreciation of $363,408 for a net investment in the property of $5,332,335. The following is a schedule of years of minimum future rentals on non-cancelable operating leases of February 28, 2007:

Fiscal year	
2008	$ 901,327
2009	553,677
2010	403,567
2011	403,567
2012	403,567
2013-2017	1,780,529
2018-2022	370,430
Total minimum future rentals	$ 4,816,664

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 2007.

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 $2,360,225. This lease expires in 6 years and is not considered a significant part of the Authority's business activities in terms of revenue.

15. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("GASB 45"), establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Authority will implement GASB 45 in fiscal year 2008.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* ("GASB 48"), establishes criteria that governments will use to record and report sales of future revenues and specific receivables. The Authority will implement this statement in fiscal year 2008.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), establishes accounting standards for pollution remediation obligations regarding existing pollution areas. GASB 49 will be implemented by the Authority in fiscal year 2009.

GASB Statement No. 50, *Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"), more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements. GASB 50 will be implemented by the Authority in fiscal year 2009.

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.

OTHER INFORMATION

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

Component/Segment	2003	2004	2005	2006	2007
Hardy Toll Road-North	17,285,931	13,954,415	14,052,770	14,632,226	14,844,875
Hardy Toll Road-South	19,441,493	18,244,116	18,462,284	19,010,977	19,194,355
Sam Houston Tollway-South	64,600,687	63,934,602	61,531,417	63,197,673	67,495,296
Sam Houston Tollway-Central	50,748,154	49,927,899	51,591,528	55,090,689	56,979,721
Sam Houston Tollway-North	54,656,358	55,729,264	57,044,397	62,488,975	64,503,481
Sam Houston Ship Channel Bridge	10,512,330	10,768,735	10,845,442	12,396,189	12,685,800
Sam Houston Tollway-East	17,226,477	17,367,515	16,510,758	18,362,289	19,094,698
Sam Houston Tollway-South/East	23,826,384	23,998,665	23,929,678	25,702,415	26,790,083
Sam Houston Tollway-South/West	30,782,589	30,940,703	30,545,303	32,782,866	34,006,958
Westpark Tollway (a)	-	-	12,723,902	30,329,845	41,553,985
Spur 90A (b)	-	-	-	1,241,962	2,803,683
Total	289,080,403	284,865,914	297,237,479	335,236,106	359,952,935

(a) The Westpark Tollway opened in 2004.
(b) Spur 90 A opened in 2006

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

Toll Rate Schedule Effective as of November 1, 2003

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

Toll Rate Schedule Prior to November 1, 2003

	Attended Lanes	Exact Change Lanes	Token Lanes	EZ Tag Lanes
Two Axle Vehicles				
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.00	$ 1.00	$ 0.90	$ 0.75
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.80	$ 1.50
Three to Six Axle Vehicles				
Sam Houston Tollway and Hardy Toll Road Plazas	$ 0.60-4.50	N/A	N/A	$ 0.60-4.50
Sam Houston Ship Channel Bridge	$ 2.75-5.50	N/A	N/A	$ 2.75-5.50

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

	2003	2004	2005	2006	2007
Operating Revenues					
Toll revenues	$ 244,170,745	$ 265,913,082	$ 317,712,245	$ 349,341,225	$ 392,992,697
Intergovernmental revenues	-	-	-	-	1,612,040
Total Operating Revenues	244,170,745	265,913,082	317,712,245	349,341,225	394,604,737
Operating Expenses					
Salaries	20,457,289	23,070,478	25,852,853	28,771,452	33,198,646
Materials and supplies	1,321,222	12,322,317	2,732,095	7,265,279	23,707,444
Services and fees	25,066,081	24,876,579	26,410,239	28,748,034	39,362,124
Utilities	1,193,174	1,518,091	1,948,440	2,288,230	2,895,118
Transportation and travel	299,431	345,382	437,235	525,709	690,508
Depreciation	42,375,509	42,518,752	42,913,450	51,818,107	59,704,746
Total Operating Expenses	90,712,706	104,651,599	100,294,312	119,416,811	159,558,586
Income from Operations	153,458,039	161,261,483	217,417,933	229,924,414	235,046,151
Nonoperating Revenues					
Investment income	15,928,241	10,376,752	6,317,939	19,799,582	39,390,825
Lease revenues	-	-	-	1,000,948	740,389
Other	124,163	714,644	-	-	11,251
Total Nonoperating Revenues	16,052,404	11,091,396	6,317,939	20,800,530	40,142,465
Nonoperating Expenses					
Interest expense	88,161,087	101,075,728	96,222,165	97,189,289	103,386,119
Amortization expense	911,022	1,069,795	13,137,957	13,642,903	13,726,840
Bad debt	942,683	6,729,330	-	-	-
Other	100,033	465,589	3,703,190	5,199	-
Total Nonoperating Expenses	90,114,825	109,340,442	113,063,312	110,837,391	117,112,959
Net Income Before Contributions and Transfers Out	79,395,618	63,012,437	110,672,560	139,887,553	158,075,657
Contributions (a)	5,048,100	15,189,452	12,522,506	3,129,512	3,113,317
Transfers Out (b)	(20,057,744)	(67,500,000)	(20,130,000)	(20,241,030)	(31,112,333)
Change in Net Assets	$ 64,385,974	$ 10,701,889	$ 103,065,066	$ 122,776,035	$ 130,076,641

(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) For Fiscal Years 2002 and 2003, Commissioners Court authorized an allocation of $20 million of HCTRA net income for funding of County thoroughfares that feed the Project. The distribution, in the equal amount of $5 million for each precinct for each such Fiscal Year, is based on a list of projects approved by Commissioners Court. In Fiscal Year 2004, the amount per precinct to fund County thoroughfares that feed the Project increased to $15 million and an additional $7.5 million was allocated to the Public Infrastructure Department for Project-related purposes. In Fiscal Years 2005 and 2006, the amount per precinct per Fiscal Year was approximately $5 million. The Fiscal Year 2007 allocation to each precinct was approximately $7.1 million with an additional $2.2 million to Management Services.

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
1998	$ 142,254,350	$ 17,867,466	$ 45,648,649	3.508	$ 17,612,685	$ 96,860,482	$ 62,368,482	1.553
1999	180,108,358	18,709,094	46,546,605	4.271	21,593,047	130,677,800	61,142,299	2.137
2000	198,282,272	19,093,544	48,974,806	4.439	27,919,182	140,481,828	67,230,590	2.090
2001	217,785,196	30,729,789	50,393,133	4.932	32,873,082	165,248,770	70,100,623	2.357
2002	234,674,805	23,262,829	52,677,208	4.897	33,453,815	171,806,611	74,756,674	2.298
2003	244,170,745	15,926,325	49,727,149	5.230	39,962,567	170,407,354	67,483,545	2.525
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264
2005	317,712,245	6,309,910	85,979,907	3.769	50,415,255	187,626,993	77,084,795	2.434
2006	349,341,225	20,759,221	75,387,443	4.909	58,899,030	235,813,973	75,453,269	3.125
2007	392,992,697	41,647,566	92,115,954	4.718	74,627,072	267,897,237	75,413,268	3.552

(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	2003	2004	2005	2006	2007
Hardy Toll Road-North	$ 13,607,169	$ 11,981,354	$ 13,888,956	$ 14,381,462	$ 14,981,525
Hardy Toll Road-South (a)	14,257,068	14,730,039	17,202,971	17,568,326	18,105,401
Sam Houston Tollway-South	46,217,997	51,250,139	58,765,316	59,541,264	62,831,888
Sam Houston Tollway-Central	38,491,192	43,064,428	51,823,534	54,416,326	56,966,197
Sam Houston Tollway-North	42,845,832	48,892,943	57,182,927	61,428,727	66,076,156
Sam Houston Ship Channel Bridge	18,984,108	19,378,055	19,356,296	21,984,875	23,187,641
Sam Houston Tollway-East	13,789,745	15,203,970	17,157,370	19,122,853	20,360,429
Sam Houston Tollway-South/East	18,276,414	20,389,860	24,144,419	25,641,681	27,344,571
Sam Houston Tollway-South/West	21,847,053	24,248,769	28,280,061	29,206,606	30,703,175
Westpark Tollway (b)	-	-	8,730,798	23,036,382	33,316,113
Spur 90A (c)	-	-	-	635,501	1,449,018
Administration (d)	15,854,167	16,731,864	20,641,990	21,163,992	35,196,101
Fort Bend	-	-	120,916	523,356	1,391,956
IOP-NTTA (e)	-	41,661	416,691	689,874	917,995
IOP-TTA (f)	-	-	-	-	164,531
Total	244,170,745	265,913,082	317,712,245	349,341,225	392,992,697

(a) Includes toll revenues collected for the Airport Connector.
(b) Westpark Tollway opened in 2004.
(c) Spur 90A opened in 2006.
(d) Consist of EZ tag fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.
(e) Revenue includes amounts attributable to the interoperability program with NTTA.
In August, 2003 Commissioners Court approved an interlocal agreement that allows for tag patrons to use both the HCTRA and NTTA toll systems. The figures shown represent NTTA tag holders' usage on the HCTRA system and may include revenue from any segment of the system.
(f) Implemented in February 2006, an interlocal agreement allows for tag patrons to use both the HCTRA and the TxTag administered the 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.

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

Fiscal	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	$ 6,068,227	$ 68,795,042	$ 74,863,269	$ 23,000,000	$ 70,691,304	$ 93,691,304	$ 29,068,227	$ 139,486,346	$ 168,554,573
2009	10,675,665	64,312,366	74,988,031	25,580,000	69,464,593	95,044,593	36,255,665	133,776,959	170,032,624
2010	41,540,000	45,680,694	87,220,694	27,210,000	68,026,524	95,236,524	68,750,000	113,707,218	182,457,218
2011	43,285,000	43,211,694	86,496,694	33,600,000	66,372,737	99,972,737	76,885,000	109,584,431	186,469,431
2012	44,970,000	40,607,444	85,577,444	36,235,000	64,567,772	100,802,772	81,205,000	105,175,216	186,380,216
2013	47,210,000	38,102,031	85,312,031	39,645,000	62,603,612	102,248,612	86,855,000	100,705,643	187,560,643
2014	57,225,000	27,880,612	85,105,612	42,625,000	60,480,168	103,105,168	99,850,000	88,360,780	188,210,780
2015	63,695,000	20,799,981	84,494,981	46,145,000	58,205,955	104,350,955	109,840,000	79,005,936	188,845,936
2016	42,015,000	18,133,275	60,148,275	49,680,000	55,766,649	105,446,649	91,695,000	73,899,924	165,594,924
2017	27,735,000	16,469,397	44,204,397	53,810,000	53,132,639	106,942,639	81,545,000	69,602,036	151,147,036
2018	28,515,000	15,124,441	43,639,441	58,100,000	50,284,507	108,384,507	86,615,000	65,408,948	152,023,948
2019	29,330,000	13,732,831	43,062,831	56,905,000	47,377,282	104,282,282	86,235,000	61,110,113	147,345,113
2020	30,170,000	12,301,594	42,471,594	59,840,000	44,449,680	104,289,680	90,010,000	56,751,274	146,761,274
2021	31,060,000	10,811,031	41,871,031	62,580,000	41,388,983	103,968,983	93,640,000	52,200,014	145,840,014
2022	20,680,000	9,549,681	30,229,681	65,355,000	38,189,010	103,544,010	86,035,000	47,738,691	133,773,691
2023	21,085,000	8,516,491	29,601,491	27,840,000	35,838,475	63,678,475	48,925,000	44,354,966	93,279,966
2024	21,525,000	7,440,684	28,965,684	31,995,000	34,305,325	66,300,325	53,520,000	41,746,009	95,266,009
2025	21,975,000	6,342,072	28,317,072	33,670,000	32,632,841	66,302,841	55,645,000	38,974,913	94,619,913
2026	12,860,000	5,465,500	18,325,500	35,405,000	30,892,894	66,297,894	48,265,000	36,358,394	84,623,394
2027	12,860,000	4,822,500	17,682,500	38,675,000	29,044,531	67,719,531	51,535,000	33,867,031	85,402,031
2028	12,860,000	4,179,500	17,039,500	42,050,000	27,037,344	69,087,344	54,910,000	31,216,844	86,126,844
2029	12,860,000	3,536,500	16,396,500	45,600,000	24,861,766	70,461,766	58,460,000	28,398,266	86,858,266
2030	12,860,000	2,893,500	15,753,500	49,310,000	22,543,516	71,853,516	62,170,000	25,437,016	87,607,016
2031	12,860,000	2,250,500	15,110,500	53,185,000	20,053,191	73,238,191	66,045,000	22,303,691	88,348,691
2032	12,860,000	1,607,500	14,467,500	57,325,000	17,314,975	74,639,975	70,185,000	18,922,475	89,107,475
2033	12,860,000	964,500	13,824,500	61,710,000	14,334,132	76,044,132	74,570,000	15,298,632	89,868,632
2034	12,860,000	321,500	13,181,500	66,320,000	11,139,957	77,459,957	79,180,000	11,461,457	90,641,457
2035	-	-	-	84,095,000	7,327,406	91,422,406	84,095,000	7,327,406	91,422,406
2036	-	-	-	89,345,000	2,862,151	92,207,151	89,345,000	2,862,151	92,207,151
2037	-	-	-	12,480,000	280,800	12,760,800	12,480,000	280,800	12,760,800
Total	$704,498,892	$ 493,852,861	$ 1,198,351,753	$ 1,409,315,000	$1,161,470,719	$ 2,570,785,719	$ 2,113,813,892	$ 1,655,323,580	$ 3,769,137,472

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

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

Issue	Date Issued	Outstanding Principal Amount at February 28, 2007
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1991	April 1991	$ 1,490,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds,		
Series 1992-A	February 1992	2,620,000
Series 1992-B	February 1992	463,368
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1994A	April 1994	63,480,524
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1995A	September 1995	500,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1997	August 1997	151,445,000
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	321,500,000
TOTAL		$ 704,498,892

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

The Series 1997, Series 2002, Series 2004-A, Series 2004-B, Series 2005-A and Series 2006-A are referred to as the "Senior Lien Revenue Bonds".

Issue	Outstanding Principal Amount at February 28, 2007
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 1997	$ 62,895,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2002	387,795,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004A	168,715,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2004B	446,615,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2005A	207,765,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2006A	135,530,000
TOTAL	$ 1,409,315,000

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2007-2008
Schedule 9
(Unaudited)

On March 6, 2007 the Commissioners Court adopted the budget for the County for the Fiscal Year 2008 which included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2008 Budget for the County's Current Operating Funds:

Cash Balance as of March 1, 2007	$ 205,361,732
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	771,269,744
Charges for Services	184,883,801
Fines and Forfeitures	23,705,521
Intergovernmental Revenues	31,340,254
Interest	8,461,975
Other	61,962,424
Total Cash and Estimated Revenues	$ 1,286,985,451
Appropriations:	
Current Operating Expenses	$ 1,206,895,145
Capital Outlay:	
Roads	57,332,994
Parks	22,757,312
Total Appropriations	$ 1,286,985,451

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, 2007 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	$	271,913,635
Permanent Improvements		50,727,913
Flood Control		190,508,309
Reliant Park		13,462,561
Total	$	526,612,418

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
SCHEDULE OF 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
1998	$118,033,506	$ 24,100,180	$ 17,850,666	$ 124,283,020		0.35078	0.06788	0.41866
1999	125,452,026	25,255,844	20,271,134	130,436,736		0.37748	0.03912	0.41660
2000	136,396,208	26,962,355	22,345,082	141,013,481		0.35780	0.03703	0.39483
2001	150,845,241	28,397,625	25,145,837	154,097,029		0.32599	0.03303	0.35902
2002	165,804,662	30,668,510	28,809,564	167,663,608		0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.38106	0.02133	0.40239

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of $156,240.
(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	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	$ 518,449	$ 499,797	96.4	$ 16,035	$ 515,832	99.5
1999	543,778	522,522	96.1	18,384	540,906	99.5
2000	557,352	538,011	96.5	16,353	554,364	99.5
2001	553,216	547,846	99.0	1,936	549,782	99.4
2002	643,711	617,800	96.0	21,180	638,980	99.3
2003	682,975	657,498	96.3	19,727	677,225	99.2
2004	704,093	693,384	98.5	4,230	697,614	99.1
2005	793,759	740,302	93.3	44,704	785,006	98.9
2006	796,885	719,922	90.3	61,865	781,787	98.1
2007	887,598	793,835	89.4	-	793,835	89.4

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

	2007			1998		
Taxpayers	2006 Taxable Valuations (a)	Rank	Percentage of Total 2006 Taxable Valuation (b)	1997 Taxable Valuations (a)	Rank	Percentage of Total 1997 Taxable Valuation (c)
Exxon Mobil Corporation	$ 4,602,425	1	2.04	$ 2,916,587	1	2.35
Shell Oil Company	2,587,325	2	1.15	1,069,813	4	0.86
Centerpoint Energy, Inc.	2,631,941	3	1.17	-		0.00
Lyondell Chemical	1,877,381	4	0.83	809,084	8	0.65
Chevron Phillips Chemical Company	1,160,997	5	0.52	398,591	15	0.32
Equistar Chemicals Limited Partnership	1,189,311	6	0.53	-		0.00
Southwestern Bell Telephone (SBC)	1,023,759	7	0.45	1,608,513	3	1.29
Crescent Real Estate	957,102	8	0.42	-		0.00
Hines Interests Ltd Partnership	815,157	9	0.36	982,251	5	0.79
Hewlett Packard Company	736,262	10	0.33	-		0.00
Wal Mart	634,476	11	0.28	-		0.00
Rohm & Haas Co.	558,171	12	0.25	472,425	13	0.38
Houston Pipeline Co LP	537,619	13	0.24	-		0.00
Anheuser Busch Inc.	470,566	14	0.21	-		0.00
Weingarten Realty	402,078	15	0.18	-		0.00
Houston Lighting and Power Company	-		0.00	2,151,406	2	1.73
Compaq Computer Corporation	-		0.00	770,018	9	0.62
Quantum Chemical Plant	-		0.00	895,695	7	0.72
Arco Chemical Company	-		0.00	953,209	6	0.77
Hoechst Celanese Chemical	-		0.00	537,768	11	0.43
Phillips Petroleum Company	-		0.00	470,484	14	0.38
Occidental Chemical Corporation	-		0.00	473,742	12	0.38
Lyondell-Citgo Refining Co.	-		0.00	565,221	10	0.45
Total	$ 20,184,570		8.96%	$ 15,074,807		12.12%

Source: Harris County Appraisal District.

(a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.

(b) Based on the County's total taxable value as of January 26, 2007.

(c) Based on the County's total taxable value as of January 1, 1998.

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	$ 941,356,629
Unlimited Tax Debt	794,014,342
Flood Control	322,860,000
Toll Road Tax Bonds	704,498,892
Total	$ 2,762,729,863
Less: Toll Road Tax Bonds	(704,498,892)
Total (Approximately 0.71% of 2006 Assessed Value)	$ 2,058,230,971

(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
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 1997-98 through 2006-07.

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
1998	$ 1,589,391	$ 124,283,020	1.28%	3,158,095	$ 503
1999	1,595,308	130,436,736	1.22	3,206,063	498
2000	1,563,517	141,013,481	1.11	3,250,404	481
2001	1,572,795	154,097,029	1.02	3,400,578	463
2002	1,640,580	167,663,608	0.98	3,460,589	474
2003	1,928,192	176,215,696	1.09	3,557,055	542
2004	1,968,193	185,156,210	1.06	3,596,086	547
2005	2,258,539	194,263,945	1.16	3,644,285	620
2006	2,522,538	206,346,375	1.22	3,693,050	683
2007	2,762,730	225,237,250	1.23	3,886,207	711

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

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

(c) Source: Bureau of the Census.

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

Fiscal	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Suboridinate Lient 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
2008	$ 34,425,000	$ 41,638,479	$ 76,063,479	$ 21,687,327	$ 42,691,402	$ 64,378,729	$ 6,068,227	$ 68,795,042	$ 74,863,269	$ 8,755,287	$ 32,530,835	$ 41,286,122	$ 70,935,841	$ 185,655,758	$ 256,591,599
2009	37,775,000	40,755,084	78,530,084	23,842,422	40,760,519	64,602,941	10,675,665	64,312,366	74,988,031	7,908,864	32,030,630	39,939,494	80,201,951	177,858,599	258,060,550
2010	40,370,000	38,949,300	79,319,300	26,244,592	38,128,699	64,373,291	41,540,000	45,680,694	87,220,694	8,667,889	30,555,505	39,223,394	116,822,481	153,314,198	270,136,679
2011	38,000,000	37,009,301	75,009,301	34,630,000	34,308,716	68,938,716	43,285,000	43,211,694	86,496,694	8,318,921	28,502,961	36,821,882	124,233,921	143,032,672	267,266,593
2012	45,510,000	35,188,304	80,698,304	30,690,000	32,639,554	63,329,554	44,970,000	40,607,444	85,577,444	8,124,024	26,387,483	34,511,507	129,294,024	134,822,785	264,116,809
2013	52,100,000	31,414,755	83,514,755	28,005,000	31,105,054	59,110,054	47,210,000	38,102,031	85,312,031	9,435,000	24,864,956	34,299,956	136,750,000	125,486,796	262,236,796
2014	40,490,022	27,742,116	68,232,138	18,502,902	32,501,048	51,003,950	57,225,000	27,880,612	85,105,612	9,715,000	24,393,232	34,108,232	125,932,924	112,517,008	238,449,932
2015	42,002,460	26,182,912	68,185,372	19,933,385	28,939,904	48,873,289	63,695,000	20,799,981	84,494,981	8,685,000	23,905,894	32,590,894	134,315,845	99,828,691	234,144,536
2016	43,496,787	24,577,244	68,074,031	19,647,743	28,246,666	47,894,409	42,015,000	18,133,275	60,148,275	7,945,000	23,476,526	31,421,526	113,104,530	94,433,711	207,538,241
2017	45,461,714	22,841,227	68,302,941	18,988,742	27,545,116	46,533,858	27,735,000	16,469,397	44,204,397	7,170,000	23,070,763	30,240,763	99,355,456	89,926,503	189,281,959
2018	46,801,285	20,831,479	67,632,764	19,357,229	26,858,079	46,215,308	28,515,000	15,124,441	43,639,441	7,545,000	22,694,338	30,239,338	102,218,514	85,508,337	187,726,851
2019	40,026,339	18,708,657	58,734,996	32,515,000	26,136,554	58,651,554	29,330,000	13,732,831	43,062,831	22,925,000	22,298,225	45,223,225	124,796,339	80,876,267	205,672,606
2020	26,495,898	17,027,189	43,523,087	34,190,000	24,462,997	58,652,997	30,170,000	12,301,594	42,471,594	39,325,000	21,094,663	60,419,663	130,180,898	74,886,443	205,067,341
2021	36,155,000	15,782,478	51,937,478	35,940,000	22,713,472	58,653,472	31,060,000	10,811,031	41,871,031	41,385,000	19,030,100	60,415,100	144,540,000	68,337,081	212,877,081
2022	36,065,000	14,269,057	50,334,057	37,785,000	20,874,335	58,659,335	20,680,000	9,549,681	30,229,681	45,175,000	16,857,388	62,032,388	139,705,000	61,550,461	201,255,461
2023	37,540,000	13,190,839	50,730,839	39,670,000	18,981,040	58,651,040	21,085,000	8,516,491	29,601,491	47,465,000	14,575,488	62,040,488	145,760,000	55,263,858	201,023,858
2024	27,560,806	11,847,889	39,408,695	41,670,000	16,994,250	58,664,250	21,525,000	7,440,684	28,965,684	49,845,000	12,177,875	62,022,875	140,600,806	48,460,698	189,061,504
2025	69,877,279	10,782,381	80,659,660	43,755,000	14,910,750	58,665,750	21,975,000	6,342,072	28,317,072	10,795,000	9,659,980	20,454,980	146,402,279	41,695,183	188,097,462
2026	19,939,303	7,407,116	27,346,419	38,140,000	12,723,000	50,863,000	12,860,000	5,465,500	18,325,500	26,255,000	9,093,250	35,348,250	97,194,303	34,688,866	131,883,169
2027	32,630,000	6,379,956	39,009,956	38,140,000	10,816,000	48,956,000	12,860,000	4,822,500	17,682,500	26,255,000	7,780,500	34,035,500	109,885,000	29,798,956	139,683,956
2028	33,745,000	5,044,400	38,789,400	38,140,000	8,909,000	47,049,000	12,860,000	4,179,500	17,039,500	12,800,000	6,467,750	19,267,750	97,545,000	24,600,650	122,145,650
2029	16,699,736	4,086,225	20,785,961	38,135,000	7,127,000	45,262,000	12,860,000	3,536,500	16,396,500	12,800,000	5,187,000	17,987,000	80,494,736	19,936,725	100,431,461
2030	24,830,000	3,189,680	28,019,680	38,135,000	5,345,250	43,480,250	12,860,000	2,893,500	15,753,500	12,800,000	3,906,250	16,706,250	88,625,000	15,334,680	103,959,680
2031	25,530,000	2,271,047	27,801,047	38,135,000	3,563,500	41,698,500	12,860,000	2,250,500	15,110,500	12,800,000	2,625,500	15,425,500	89,325,000	10,710,547	100,035,547
2032	26,280,000	1,328,202	27,608,202	38,135,000	1,781,750	39,916,750	12,860,000	1,607,500	14,467,500	80,075,000	1,312,750	81,387,750	157,350,000	6,030,202	163,380,202
2033	21,550,000	359,885	21,909,885	-	-	-	12,860,000	964,500	13,824,500	-	-	-	34,410,000	1,324,385	35,734,385
2034	-	-	-	-	-	-	12,860,000	321,500	13,181,500	-	-	-	12,860,000	321,500	13,181,500
Total	$ 941,356,629	$ 478,805,202	$1,420,161,831	$ 794,014,342	$ 559,063,655	$1,353,077,997	$ 704,498,892	$ 493,852,861	$ 1,198,351,753	$ 532,969,985	$ 444,479,842	$ 977,449,827	$ 2,972,839,848	$ 1,976,201,560	$ 4,949,041,408

(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, 2007, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1987, November, 1989, November, 1993, November, 1997, and November, 2001 remain unissued.

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

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

County Ad Valorem Tax Bonds		
Limited Tax:		
Civil Justice Center	$ 33,000	
Parks	25,000	
Total Limited Tax Bonds		$ 58,000
Unlimited Tax:		
Road Bonds	175,612	
Total Unlimited Tax Bonds		175,612
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		251,285
Port of Houston Authority Unlimited Tax Bonds		
Port Improvements	208,061	
Deepening and Widening of Houston Ship Channel	-	
Total Port of Houston Authority Bonds		208,061
Total Authorized but Unissued Bonds		$ 459,346

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)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Harris County General Fund:										
Reserved	$ 84,666	$ 71,415	$ 76,937	$ 71,535	$ 69,003	$ 105,162	$ 100,143	$ 112,291	$ 146,215	$ 175,301
Uneserved	120,125	207,206	218,634	204,672	246,811	214,160	250,939	203,684	175,581	128,418
Total general fund	$ 204,791	$ 278,621	$ 295,571	$ 276,207	$ 315,814	$ 319,322	$ 351,082	$ 315,975	$ 321,796	$ 303,719

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									
	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Administration of Justice	6,821	6,931	7,820	8,054	8,177	8,115	8,450	8,554	8,818	9,280
Parks	*	*	*	*	*	*	*	*	754	742
County Administration	2,366	2,447	2,612	2,758	2,817	2,627	2,720	2,787	2,885	2,984
Health and Human Services	*	*	*	*	*	*	*	*	1,764	1,656
Flood Control	*	*	276	270	277	289	331	342	320	340
Tax Administration	507	505	458	460	468	450	465	442	442	438
Roads and Bridges	1,017	1,078	677	716	736	752	817	837	857	804
Other *	2,472	2,529	1,489	1,613	1,742	2,050	2,287	2,441	*	*

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

Note: As of February 28, 2007, it is estimated that approximately 2,364 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 2003 through 2007 are summarized as follows:

	FY2007	FY2006	FY2005	FY2004	FY2003
Employer Contributions	$65,922,424	$60,990,625	$60,824,272	$56,659,405	$56,254,388