Deloitte Haskins+Sells

HARRIS COUNTY TOLL ROAD AUTHORITY

Financial Statements as of February 28, 1989 and for the Year then Ended and Cumulative for the Period Since Date of Inception (September 13, 1983) and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Honorable Jon Lindsay, County Judge,
and Members of Commissioners Court
of Harris County, Texas:

We have audited the accompanying financial statements of the Toll Road Enterprise Fund of Harris County, Texas as of February 28, 1989, and for the year then ended and cumulative for the period since date of inception (September 13, 1983). These financial statements and the supplemental schedule discussed below are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the financial statements referred to above present only the Toll Road Enterprise Fund and are not intended to present fairly the financial position and results of operations of Harris County, Texas in conformity with generally accepted accounting principles.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Toll Road Enterprise Fund of Harris County, Texas at February 28, 1989 and the results of that fund's operations and the changes in its financial position for the year then ended and cumulative for the period since date of inception (September 13, 1983) in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of cash receipts and disbursements in operating and restricted accounts under revenue bond ordinances for the year ended February 28, 1989 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Deloitte Haskins + Sells

June 9, 1989

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
(A Development Stage Enterprise)

BALANCE SHEET, FEBRUARY 28, 1989

ASSETS

	NOTES	
CURRENT UNRESTRICTED ASSETS:		
Cash		$ 315,219
Accrued interest receivable		2,771,203
Due from other funds		218,179
Other		20,552
Total current unrestricted assets		3,325,153
RESTRICTED ASSETS:		
Cash and investments	2,3,4	306,710,034
Investments pledged for Multi-Mode Bonds	2,3,4	126,143,240
Total current restricted assets		432,853,274
PROPERTY:		
Roads, bridges and rights-of-way		495,554,121
Building		1,233,909
Land		366,091
Equipment		196,228
Construction work in progress	4	167,373,371
Total property		664,723,720
Less accumulated depreciation		(12,471,131)
Property, net		652,252,589
DEFERRED CHARGES, NET OF AMORTIZATION		9,326,551
TOTAL		$1,097,757,567

See notes to financial statements.

LIABILITIES AND FUND EQUITY (DEFICIT)

	NOTES	
CURRENT LIABILITIES - Payable from unrestricted assets:		
Vacation payable		$ 49,224
Other		8,461
Total current liabilities - payable from unrestricted assets		57,685
CURRENT LIABILITIES - Payable from restricted assets:		
Current portion of long-term debt	4	124,899,148
Accrued interest payable	4	24,751,493
Vouchers payable		6,324,333
Retainages payable		5,734,362
Salaries payable		22,433
Due to other funds		1,777
Total current liabilities - payable from restricted assets		161,733,546
NONCURRENT LIABILITIES:		
Long-term debt:	4	
Senior lien revenue bonds payable		424,280,000
Tax bonds payable (Net of unamortized premium of $13,843,494)		563,843,494
Supplemental interest certificates payable		3,740,849
Compensatory time payable		6,024
Total noncurrent liabilities		991,870,367
Total liabilities		1,153,661,598
FUND EQUITY (DEFICIT):		
Contributed capital	8	21,889,709
Deficit accumulated during the development stage		(77,793,740)
Total fund equity (deficit)		(55,904,031)
TOTAL		$1,097,757,567

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
(A Development Stage Enterprise)

STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED FEBRUARY 28, 1989 AND
CUMULATIVE FOR THE PERIOD SINCE DATE OF
INCEPTION (September 13, 1983)

	NOTE	1989	CUMULATIVE
OPERATING REVENUES:			
Toll revenues		$ 13,248,610	$ 13,958,087
Lease of building		76,738	165,061
Total Operating Revenues		13,325,348	14,123,148
OPERATING EXPENSES:			
Depreciation		10,557,844	12,471,131
Administrative		3,232,138	11,345,006
Road operations		3,606,736	4,065,713
Building operations		129,126	192,607
TOTAL OPERATING EXPENSES		17,525,844	28,074,457
LOSS FROM OPERATIONS		(4,200,496)	(13,951,309)
NONOPERATING REVENUES (EXPENSES):			
Interest expense	4	(41,584,050)	(50,989,553)
Interest revenue		19,332,143	24,907,831
Other		327,575	374,136
LOSS BEFORE EXTRAORDINARY ITEM		(26,124,828)	(39,658,895)
EXTRAORDINARY ITEM - Cost Associated with Future Interest Savings	4	(15,163,431)	(38,134,845)
NET LOSS		(41,288,259)	(77,793,740)
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE - BEGINNING		(36,505,481)	-
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE - ENDING		$(77,793,740)	$(77,793,740)

See notes to financial statements.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED FEBRUARY 28, 1989 AND CUMULATIVE FOR THE PERIOD SINCE DATE OF INCEPTION (September 13, 1983)

	1989	Cumulative
Sources of Cash and Temporary Investments		
Proceeds from Bond Sales	$175,694,825	$1,857,548,494
Proceeds from Supplemental Interest Certificates Payable	5,419,997	5,419,997
Decrease (Increase) In:		
Multi-Mode Pledged Account	82,586,862	(126,143,240)
Deferred Charges	1,559,899	(9,326,551)
Increase In:		
Payables for Interest, Vouchers, Salaries, Vacations and Compensatory Time	6,414,536	36,679,483
Contributed Capital	931,066	21,889,709
Total Sources of Cash and Temporary Investments	272,607,185	1,786,067,892
Uses of Cash and Temporary Investments		
By Operations:		
Loss Before Extraordinary Item	26,124,828	39,658,895
Item Not Affecting Cash - Depreciation	(10,557,844)	(12,471,131)
Used By Operations	15,566,984	27,187,764
Extraordinary Item - Cost Associated with Future Interest Savings	15,163,431	38,134,845
Bond Refunding, Remarketing and Redemption	168,045,000	746,205,000
Property Additions	138,598,507	664,723,720
Increase (Decrease) In:		
Accrued Interest Receivable	(480,319)	2,771,203
Other	20,107	20,107
Total Uses of Cash and Temporary Investments	336,913,710	1,479,042,639
Increase (Decrease) in Cash and Temporary Investments	(64,306,525)	307,025,253
Cash and Temporary Investments, Beginning of Period	371,331,778	-
Cash and Temporary Investments, End of Period	$307,025,253	$ 307,025,253

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 1989

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Toll Road Enterprise Fund ("Toll Road") was created by Harris County, Texas ("County") on September 13, 1983, to account for the acquisition, construction, improvement, operation, and maintenance of the County toll road facilities and services. The construction of the Hardy Toll Road and the Sam Houston Tollway has been financed with a combination of unlimited tax and subordinate lien revenue bonds and senior lien revenue bonds. The proceeds from such bonds, including the interest thereon, are being used to finance the construction costs, the related debt service, and a portion of the maintenance and operating expenses of the Toll Road. When all the debt service, as discussed in Note 4, has been paid or provided for in a trust fund, the Toll Roads will become a part of the State of Texas Highway System.

Basis of Accounting - The Toll Road uses the accrual basis of accounting.

Cash and Investments

State statutes authorize the Toll Road to invest in fully collateralized or insured time deposits, direct debt securities of the United States or its Agencies, and fully collateralized repurchase agreements. The repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and which requires that the securities involved in the transaction be held in a safekeeping account subject to the control and custody of the Toll Road. Investments in repurchase agreements may be made only through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in the State of Texas with which the County has a signed master repurchase agreement. Investments are stated at cost or amortized cost.

Property and Depreciation

Property constructed or acquired by purchase is stated at cost. Donated property is stated at estimated fair market value on the date donated and is recorded as contributed capital.

The Toll Road capitalizes, as a cost of its constructed property, the interest expense of bonds issued for construction purposes less the interest earned on the temporary investment of the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. In 1988, the southern section of the Hardy Toll Road ("Hardy South Section") and the southern section of the Sam Houston Tollway ("Sam Houston South Section") were opened for operations. All interest expense and interest earnings were capitalized through

June. Beginning in July 1988, the net interest has been prorated based on the number of miles of the uncompleted sections to the total miles of the project in order to capitalize only the net interest of the uncompleted sections. Such capitalization increased the cost of assets constructed by the Toll Road by approximately $22,767,923 and $53,535,610 in 1989 and cumulative for the period since date of inception, respectively. Total interest cost incurred for the year ended February 28, 1989, was $84,925,875. As of February 28, 1989, approximately 62% of the total miles have been opened for public use.

Property is depreciated using the straight-line method. The Hardy North Section is depreciated based on a 30-year useful life. The Hardy South section and the Sam Houston South section are depreciated based on a 29-year useful life. The estimated useful lives for the Toll Road Office Building and equipment are 30 years and 4 to 10 years, respectively. Equipment purchased during the year receives one-half year's depreciation in the year of acquisition.

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

Bond Premiums are amortized using the straight-line method over the term of the bonds which does not significantly differ from the interest method.

Workers' Compensation and Group Insurance

The Toll Road is covered by the Harris County Workers' Compensation Self-Insurance Program which provides medical and indemnity payments as required by law for on-the-job related injuries. Claims processing was handled by the General Adjustment Bureau through July 31, 1988 and is currently provided by Texas Employers' Insurance Association in association with the County Attorney. The County has reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the policy for the fiscal year ended February 28, 1989 is $750,000 per occurrence. The liability for outstanding losses includes approximately $3,000,000 for incurred but not reported claims, as determined by the previous plan administrator. The activity of the self insurance program is recorded in Harris County's Workers' Compensation Self-Insurance Internal Service Fund.

During fiscal year 1989, Commissioners Court established the Health Insurance Internal Service Fund to account for the County and District's group health insurance plans. Such plans include HMO coverage and a self-funded plan for benefits for comprehensive major medical, dental and vision care. Under this self-funded agreement with American General, the maximum liability per employee is $100,000 per occurrence. Claims in excess of $100,000 are covered in an additional insurance policy. Under the agreement, the County is required to fund plan benefits when claims are actually paid and, additionally, must provide for funding of claims which may be incurred before the termination of the policy period but paid after the termination period. The County has recorded all accruals for estimated claims and incurred but not reported claims at February 28, 1989.

Paid Absences

Employees receive from 10 to 60 days of sick leave per year, depending on years of service. Sick leave benefits are recognized as they are used by the employees. Unused sick leave benefits lapse upon termination or at calendar year end and, accordingly, there is no liability recorded at February 28, 1989.

Employees with more than one year of service receive from 2 to 4 weeks vacation per year, depending on years of service. Unused vacation benefits lapse at calendar year end and upon termination except for exempt employees who may convert such benefits to compensatory time, subject to the 240-hour maximum.

Nonexempt employees earn compensatory time at one and a half times their full pay times the excess of 40 hours worked. Nonexempt employees can accumulate compensatory time indefinitely. Upon termination, compensatory time is calculated at the current rate of pay. Exempt employees earn compensatory time at one times their full pay times the excess of 40 hours worked. 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 current wage rate.

2. CASH AND INVESTMENTS

At year end, the carrying amount of the Toll Road's demand deposits was $1,919,768. The $11,018,699 bank balance was covered by federal depository insurance or by collateral held at the Federal Reserve Bank. The Toll Road did not invest in repurchase agreements during the year other than those purchased by the Trustee. The Toll Road's investments consist of U.S. Government Securities and are categorized as either (1) securities held at the Federal Reserve in the custodian account of the Toll Road's agent in the Toll Road's name, (2) securities held in the trust department of the Toll Road's counterparty, or (3) securities held at the Federal Reserve in the custodian account of the Toll Road's counterparty.

Shown below are the Toll Road's investments at February 28, 1989.

	Category			Carrying	Market
	1	2	3	Amount	Value
Investments Included in Restricted Cash and Temporary Investments	$241,387,574	$33,523,505	$30,194,406	$305,105,485	$302,971,791
Multi-Mode Toll Road Investments	126,143,240	-	-	126,143,240	124,588,632
TOTAL INVESTMENTS	$367,530,814	$33,523,505	$30,194,406	$431,248,725	$427,560,423

3. RESTRICTED ASSETS

The bond restrictions require that, during the period in which the bonds are outstanding, the Toll Road must create and maintain certain accounts to receive the proceeds from the sale of the bonds, the property taxes levied (if any), and the gross revenues derived from the operation of the toll roads. These assets can be used only in accordance with the terms of the bond resolutions to pay the capital costs of constructing a system of toll roads, or to pay the debt service for the related bonds.

4. LONG-TERM DEBT

Long-term debt consists of the following:

Toll Road Multiple Mode Senior Lien Revenue Bonds ("Senior Lien Revenue Bonds"):	
Series 1985-A, interest at 7.3%-7.4% payable semiannually; optional redemption allowance, mandatory redemption 1996-2002	$ 97,160,000
Series 1985-B, interest at 8.625%-8.7% payable semiannually; optional redemption allowance, mandatory redemption 1996-2002	85,940,000
Series 1985-C, interest at 8%-8.125% payable semiannually; optional redemption allowance, mandatory redemption 1996-2002	93,405,000
Series 1985-D, interest at 7.3%-8.1% payable semiannually; optional redemption allowance, mandatory redemption 1996-2002	82,350,000
Refunding Series 1987, interest at 8.625%-8.7% payable semiannually; optional redemption allowance, mandatory redemption 1996-2002	65,425,000
Series 1985 F and G ("Multi-Mode Bonds"), interest at 7%-7.2% payable semiannually; initial mandatory purchase dates 1989-1990	123,220,000
Subtotal	547,500,000

4. LONG-TERM DEBT, Continued

Unlimited Tax and Subordinate Lien Revenue Bonds ("Tax Bonds"):	
Series 1984 (a portion refunded in 1985)	$ 13,770,000
Series 1985 (a portion refunded in 1988)	14,305,000
Series 1985 A-E, interest at TENR* payable quarterly, adjustable and subject to a maximum; optional redemption allowable, mandatory redemption 1994-2014, matures 2015	250,000,000
Refunding Series 1985-F	186,230,000
Refunding Series 1988	85,695,000
Unamortized Premiums	13,843,492
Subtotal	563,843,492
Supplemental Interest Certificates Payable	5,419,999
Total Debt	1,116,763,491
Less Current Maturities	124,899,148
Long-Term Debt	$ 991,864,343

*An interest rate determined weekly by Bankers Trust Company based upon current yields on short-term, tax-exempt obligations.

Terms of the Series 1984, 1985, 1985-F and 1988 Bonds are as follows:

	Series 1984	Series 1985	Series 1985-F	Series 1988
Compound interest bonds	$13,770,000	$14,305,000	$ 9,370,000	$ 5,635,000
Current interest rate bonds	-	-	176,860,000	80,060,000
Balance, February 28, 1989	$13,770,000	$14,305,000	$186,230,000	$85,695,000
Compound interest bonds, interest payable upon maturity:				
Total payment at maturity	$45,838,316	$51,316,678	$51,200,000	$60,085,766
Interest rates	9.25% - 10.25%	8.75% - 10%	13.582% - 13.596%	13.83% - 21.807%
Maturity dates	1994-2000	1994-2004	1992-2003	2000-2012

4. TOLL ROAD BONDS PAYABLE, Continued

Current interest rate bonds, interest payable semiannually:

Interest rates	7.25%-9.25%	6.2%-7.30%
Maturity dates	1991-2014	1993-2015
Early redemption begins	1995 or interest dates thereafter	1998 or interest dates thereafter

The Senior Lien Revenue Bonds are payable from the revenues of 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 County has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The County also has covenanted to collect tolls to produce gross and net revenues, as defined, at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.50 times and 1.25 times, respectively, the debt service requirements on the Senior Lien Revenue Bonds. Until the toll roads become fully operational, the County expects to pay most of its debt service on these bonds from bond proceeds and the interest revenues thereon.

The proceeds of the Multi-Mode Bonds were deposited in a pledged account with the trustee and invested in U.S. government securities or retained as cash. The pledged account will be sufficient to pay the purchase price of and interest on Multi-Mode Bonds in the initial mode as they become due. The Multi-Mode Bonds are secured by and payable from the pledged account while in the initial mode and at all times are further secured by a pledge of and lien on any and all property of every kind and nature which may be assigned or pledged or deposited with the trustee.

On the initial mandatory purchase dates (August 15, 1989 and February 15, 1990) the Multi-Mode Bonds will be purchased from the owners and will be automatically converted to the fixed mode unless the County elects to convert to other modes or to extend the initial mandatory purchase date, subject to the rights of the owners to otherwise elect to retain their bonds. In the event that the remaining Multi-Mode Bonds F and G are automatically converted to the fixed mode, they will mature from 1996 to 2018. The Multi-Mode Bonds are subject to optional redemption by the County on August 15, 1989, and are subject to mandatory redemption at the option of the County at a premium of 1/4 of 1% for each six-month period from such date until the scheduled initial mandatory purchase date.

The Series 1985 A-E Tax Bonds are subject to purchase on the demand of the holder, at any time prior to the conversion from TENR described above, at a price equal to principal plus accrued interest. The County's remarketing agent is authorized to use its best efforts to sell the bonds at a price equal to par.

If the remarketing agent has not remarketed such bonds by the seventh day, the remarketing agent has the option of selling the bonds to a bank with which the County has a standby agreement to purchase such bonds.

The terms of the standby agreement require the County to redeem the purchased bonds upon the expiration or termination (by events of default) of the standby agreement. The scheduled expiration date of the standby agreement is June 1, 1995 with possible extensions of five years beginning June 1, 1990. The fee for the standby agreement included an initial payment of $156,250 with an additional commission of .15% per annum paid quarterly on the outstanding principal balance. The following is the debt service requirements of the Series 1985A-E Bonds assuming the expiration of the standby agreement, the ceiling interest rate of 15% and that the standby bank has purchased all of the demand bonds as of February 28, 1989:

Fiscal Year	Principal	Interest	Total
1990	$ -	$ 37,500,000	$ 37,500,000
1991	-	37,500,000	37,500,000
1992	-	37,500,000	37,500,000
1993	-	37,500,000	37,500,000
1994	-	37,500,000	37,500,000
1995	250,000,000	9,375,000	259,375,000
	$250,000,000	$196,875,000	$446,875,000

Upon termination of the standby agreement for events of default other than the failure of the County to make payments on the bonds or any other County bonds payable from ad valorem taxes or due to bankruptcy proceedings, the County is required to redeem the purchased bonds by the earlier of five years after such termination or the period from the effective date of such termination to the scheduled expiration date. The redemption of the bonds is to be made through consecutive semiannual installments of principal and interest based on the purchased bond rate. To date, the County has never defaulted on any of its bonded debt obligations.

Refunding

In March 1988, the County issued $85,695,000 of Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1988, to refund $85,695,000 of outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1985. The County refunded these bonds in order to secure the interest rates that prevailed at the time of refunding. The proceeds of the refunding bonds, Series 1988, were used to purchase U.S. Treasury Securities, and were placed in an escrow fund, pledged to pay the principal and interest of the refunded bonds. This refunding resulted in a decrease of debt service requirements of $6,371,024 and an economic gain of $4,998,681.

Debt Service Requirements

The following debt service requirements schedule includes the mandatory redemptions for Series 1984, Series 1985, Series 1985A-E (assuming the most recent TENR of 6.5%), Series 1985-F, Multi-Mode Series 1985A-D, Refunding Series 1987, Refunding Series 1988, and the requirements for the Multi-Mode Bonds, Series 1985-F and G, through the initial mandatory purchase dates.

Fiscal Year	Principal	Interest	Total
1990	$ 123,220,000	$ 79,733,764	$ 202,953,764
1991	-	73,070,796	73,070,796
1992	2,540,000	72,978,721	75,518,721
1993	1,192,690	74,693,955	75,886,645
1994	3,320,431	74,770,690	78,091,121
1995-1999	85,489,940	403,061,713	488,551,653
2000-2004	108,123,088	394,750,607	502,873,695
2005-2009	219,852,061	283,839,549	503,691,610
2010-2014	309,866,790	201,609,274	511,476,064
2015-2018	243,895,000	32,981,354	276,876,354
Total	$1,097,500,000	$1,691,490,423	$2,788,990,423

The debt service requirements for the Supplemental Interest Certificates, issued as part of the 1988 Refunding, are as follows:

Fiscal Year	Principal	Interest	Total
1990	$1,679,148	$120,852	$1,800,000
1991	1,933,653	271,347	2,205,000
1992	1,807,196	397,804	2,205,000
	$5,419,997	$790,003	$6,210,000

Unissued Authorized Bonds

As of February 28, 1989, the County has voter authorization to issue additional unlimited tax bonds for Toll Road purposes in the amount of $350,000,000.

5. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the County defeased certain Toll Road revenue 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 liability for the defeased bonds are not included in the Toll Road's financial statements. At February 28, 1989, the outstanding principal balance of these defeased bonds was $271,925,000.

6. RETIREMENT PLAN

Plan Description

All officials and permanent employees ("employees") of the County are members of the Texas County and District Retirement System ("TCDRS"), a statewide agent, multiple-employer public employee retirement system that administers a joint contributory, defined contribution pension plan established by State legislation. Under the plan, both the County and employees are required to contribute an amount equal to 7% of the employee's monthly earnings.

An employee is required to participate in the plan. The County's contribution for each employee, including interest allocated to the employee's account, is fully vested after 10 years continuous service. Forfeited County contributions and related interest are allocated to the remaining plan participants pending vesting.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the County, conditioned by the actuarial constraints imposed by statute that the resulting benefits can be expected to be adequately financed by the commitment of the County to contribute the same amount as the member employees. The County's current benefit plan provides for employer-financed monetary credits for service since the plan began of 220% of the employee's accumulated contributions, and for employer-financed monetary credits for service before the plan began of 160% of a theoretical amount equal to twice what would have been contributed by the employee, with interest, prior to establishment of the plan. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions and employer financed monetary credits was used to purchase an annuity.

Contribution Requirements

The contribution rate of the County is 7% of the employee members' earnings. This rate, which is not actuarially determined, is a fixed percentage equal to the contribution rate payable by the employee member.

Contribution Requirements, Continued

The County's total payroll for fiscal year 1989 was $212,936,993, of which $202,316,649 was covered by the plan. Total contributions to TCDRS by the Toll Road in 1989 and cumulative for the period since date of inception were $158,411 and $362,652, respectively.

Funding Status

Although the substance of the County's plan is not to provide a defined benefit in some form, additional disclosure is appropriate due to the nontraditional (for a defined contribution plan) existence of an unfunded pension benefit obligation and employer-financed monetary credits in excess of 100% of the employee's personal contributions. The County's 7% contribution includes the normal cost of 6.43% to fund the currently accruing monetary credits and .57% to amortize the unfunded pension benefit obligation quantified below. The plan had an initial unfunded pension benefit obligation due to the monetary credits granted by Commissioners Court for services rendered before the plan began and can have additions to the unfunded pension benefit obligation through the periodic adoption or increases in benefit credits and benefits.

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1987. The actuarial valuation as of December 31, 1988 was not available at the time this report was prepared. Market value of assets is not determined as of December 31, 1987 for the County's plan, but the market value of assets for TCDRS as a whole was 101.5% of book value as of December 31, 1987.

The unfunded pension benefit obligation for the Harris County reporting entity (which includes both the Harris County and Harris County Flood Control District legal entities) at December 31, 1987 includes the following:

Annuitants:	
Currently receiving benefits	$ 30,530,640
Terminated employees	15,639,626
Members:	
Accumulated employee contributions including allocated investment earnings	123,559,869
Employer-financed vested	113,763,397
Employer-financed nonvested	49,508,468
Total	333,002,000
Net Assets Available for Benefits, at Book Value	300,862,687
Unfunded Pension Benefit Obligation	$ 32,139,313

The unfunded pension benefit obligation is to be amortized with a level percentage of payroll assumed to be .57% each year in the valuation above. The rate available to amortize the unfunded pension benefit obligation may, however, vary slightly from year to year since it is determined as the County contribution rate (7%) minus its normal cost contribution rate (recalculated annually). As a result, the amortization period may vary from year to year. At December 31, 1987 the amortization period was 43 years.

The amounts above reflect the adoption of changes in the plan since the previous actuarial valuation, which had the effect of increasing the unfunded pension benefit obligation by $2,811,920.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The following schedule illustrates the trend information for plan years ended December 31, 1987 and December 31, 1986. Trend information prior to 1986 is unavailable.

Plan Year	Net Assets Available for Benefits as a Percentage of Pension Benefit Obligation	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll	Employer Contribution as a Percentage of Annual Covered Payroll
1986	90%	14%	7%
1987	90%	13%	7%

Post Retirement Benefits

In addition to providing pension benefits, the Toll Road provides certain healthcare and life insurance benefits for retired employees. Substantially all of the Toll Road's employees may become eligible for those benefits if they reach normal retirement age while working for the Toll Road. The cost of retiree healthcare and life insurance benefits is recognized when paid. For 1989, these costs were not material.

7. DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. The deferred compensation plan is established under Section 457 of the Internal Revenue Code and is not available to the employees until termination, retirement, death or unforeseeable emergency.

The County funds all amounts of compensation deferred under the plan through investments in fixed and variable rate annuity contracts underwritten by Aetna Casualty and Life Insurance Company and PEBSCO Securities Corporation. Such investments and all related earnings thereon are solely the property of the County subject to the claims of its general creditors. Participants' rights under the plan are considered those of a general creditor and are equal to the fair market value of the participant's deferred account. To date, these plan assets have only been used to pay deferred compensation amounts to employees.

The County is not responsible for losses under the plan but does have the duty of exercising due care for plan assets as expected of an ordinary prudent investor. The County believes that it is unlikely it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the plan's trustee under one of six investment options or a combination thereof. The choice of the investment option(s) is made solely by the participants.

8. CONTRIBUTED CAPITAL

During the year, Contributed Capital increased by the following amounts:

Source	
Developers:	
Metro Transit Authority	$ 611,325
Other	257,241
The Hahn Company	62,500
Total Net Additions	931,066
Contributed Capital, February 29, 1988	20,958,643
Contributed Capital, February 28, 1989	$21,889,709

Sources of Contributed Capital are primarily payments received by the Toll Road in accordance with joint project agreements to share the costs of construction with certain entities that will derive a direct benefit.

9. COMMITMENTS

As of February 28, 1989, the Toll Road had committed approximately $125,000,000 for construction-oriented activities. Financing for the commitments is expected to be provided primarily through bond proceeds.

At February 28, 1989, the Toll Road had operating leases for computer equipment requiring maximum annual rental payments of $1,386,678 for each of the next five years. Rental payments are based on a daily charge for the number of days each section of the Toll Road is open during the year.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
(A Development Stage Enterprise)

SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS IN OPERATING AND RESTRICTED ACCOUNTS UNDER REVENUE BOND ORDINANCES FOR THE YEAR ENDED FEBRUARY 28, 1989

	Construction Fund	Construction Contingency Fund	Revenue Fund	Operations and Maintenance Fund	Revenue Bond Fund	Tax Bond Fund	Surplus Fund	TRA Office Bldg. Fund	Total
Cash and investments, beginning	$235,152,684	$ -	$ 531,301	$ -	$275,589,305	$ 68,437,896	$178,176	$172,518	$580,061,880
RECEIPTS:									
Operating revenues	-	-	13,243,610	-	-	-	-	193,884	13,437,494
Interest received	14,617,864	886,013	154,552	-	8,794,207	5,622,190	24,100	15,516	30,114,442
Bond proceeds	-	-	-	-	82,250,000	100,281,913	-	-	182,531,913
Contributions	931,065	-	-	-	-	-	-	-	931,065
Reimbursements	1,172	-	125	-	-	-	-	-	1,297
Total Receipts	15,550,101	886,013	13,398,287	-	91,044,207	105,904,103	24,100	209,400	227,016,211
DISBURSEMENTS:									
Principal on remarketed and refunded bonds	-	-	-	-	82,250,000	85,695,000	-	-	167,945,000
Interest on remarketed and refunded bonds	-	-	-	-	42,707,247	36,240,678	-	-	78,947,925
Additional funds required in refunding	-	-	-	-	-	12,893,798	-	-	12,893,798
Accrued interest purchased	844,553	-	-	-	435,069	345,390	-	-	1,625,012
Equipment additions	35,637	-	-	-	-	-	-	-	35,637
Engineering	12,813,082	-	-	-	-	-	-	-	12,813,082
Construction	92,023,037	-	-	-	-	-	-	-	92,023,037
Right-of-way	9,517,143	-	-	-	-	-	-	-	9,517,143
Deferred charges	1,601,296	-	-	-	-	-	-	-	1,601,296
Operations and maintenance	1,860,255	-	68	616,025	-	-	-	125,015	2,601,363
Administration	3,751,019	-	-	-	-	-	-	-	3,751,019
Total Disbursements	122,446,022	-	68	616,025	125,392,316	135,174,866	-	125,015	383,754,312
INTERFUND TRANSFERS IN (OUT):									
Construction fund	-	(10,588)	-	-	(35,791,179)	-	-	-	(35,801,767)
Contingency fund	10,588	-	-	-	(25,000,000)	-	-	-	(24,989,412)
Revenue fund	-	-	-	625,084	11,353,149	-	-	-	11,978,233
Operations and maintenance	-	-	(625,084)	-	-	-	-	-	(625,084)
Revenue bond debt service	35,791,179	25,000,000	(11,353,149)	-	-	-	(202,276)	-	49,235,754
Surplus fund	-	-	-	-	202,276	-	-	-	202,276
Total Transfers In (Out)	35,801,767	24,989,412	(11,978,233)	625,084	(49,235,754)	-	(202,276)	-	-
Subtotal	164,058,530	25,875,425	1,951,287	9,059	192,005,442	39,167,133	-	256,903	423,323,779
Current year amortization of net (premium) discount on investments	(254,021)	91,578	-	-	9,987,041	20,116	-	-	9,844,714
Cash and investments, ending	$163,804,509	$25,967,003	$ 1,951,287	$ 9,059	$201,992,483	$ 39,187,249	$ -	$256,903	$433,168,493