Deloitte & Touche LLP

TOLL ROAD ENTERPRISE FUND OF HARRIS COUNTY, TEXAS

Financial Statements as of February 29, 1996 and February 28, 1995 and for the Years Then Ended, Supplemental Schedule for the Year Ended February 29, 1996 and Independent Auditors' Report

Deloitte Touche Tohmatsu International

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HARRIS COUNTY AUDITOR

Financial Statement Responsibility

The Harris County Auditor is responsible for the preparation of the accompanying financial statements and supplemental information for the fiscal year ended February 29, 1996 of the Harris County Toll Road Authority Enterprise Fund (the "Department"), a department of Harris County, Texas. The financial statements have been prepared in accordance with generally accepted accounting principles. The County Auditor is responsible for the integrity and objectivity of the data presented in the statements and schedules including the making of informed judgments and estimates of the expected effects of events and transactions that are not concluded by year end.

The management of the Department is responsible for maintaining an internal control system designed to insure that the assets of the Department are protected from loss or misuse and to provide reasonable assurance as to the integrity and reliability of the financial statements. The system of internal control provides for segregation of duties and is documented by written policies and procedures. The Harris County Auditor's Office also has an internal audit function to review the operations of the Department for effective internal control and compliance with statutory requirements. To the best of our knowledge, management has considered the Harris County Auditor internal auditor's recommendations concerning the Department's system of internal control and has taken appropriate action to address these recommendations. Department management believes that the Department's internal control system is adequate to accomplish the objectives discussed above as of February 29, 1996.

The Department's financial statements known as the Toll Road Enterprise Fund financial statements have been audited by Deloitte & Touche LLP, independent certified public accountants who were engaged by the Harris County Commissioners Court for the purpose of expressing an opinion on those financial statements. County management has made available to the independent auditors direct access to County officers and employees and all of the Department's financial records and related data as well as the minutes of the Commissioners Court meetings. Harris County believes that all representations made to Deloitte & Touche LLP were valid and appropriate.

Tommy J. Tompkins
County Auditor

June 5, 1996

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INDEPENDENT AUDITORS' REPORT

County Judge Robert Eckels and
Members of Commissioners Court
of Harris County, Texas:

We have audited the accompanying balance sheets of Harris County, Texas Toll Road Enterprise Fund (the "Toll Road Project") as of February 29, 1996 and February 28, 1995, and the related statements of operations and changes in accumulated deficit and of cash flows for the years then ended. These financial statements are the responsibility of the management of Harris County, Texas. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United Sates. 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements referred to above represent only the Toll Road Project and are not intended to present fairly the financial position of Harris County, Texas, and the results of its operations and cash flows of its proprietary fund types, 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 Project of Harris County, Texas as of February 29, 1996 and February 28, 1995, the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule of Cash Receipts and Disbursements Under Bond Ordinances is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Toll Road Project. This schedule is also the responsibility of the management of Harris County, Texas. Such schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated June 5, 1996 on our consideration of the County's internal control structure and a reported dated June 5, 1996 on its compliance with laws and regulations.

Deloitte & Touche LLP

June 5, 1996

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
BALANCE SHEETS
FEBRUARY 29, 1996 AND FEBRUARY 28, 1995

ASSETS	1996	1995
RESTRICTED ASSETS: (Note 3)		
Cash and cash equivalents (Note 2)	$ 8,861,728	$ 44,307,006
Investments (Note 2)	355,683,191	357,995,824
Notes Receivable (Note 11)	7,571,067	3,373,937
Accrued interest receivable	3,810,346	3,816,820
Accounts receivable and Contributions due from TxDot	1,767,274	389,069
Other	518,721	4,301
Total current restricted assets	378,212,327	409,886,957
PROPERTY:		
Roads, bridges and rights-of-way	1,012,032,245	1,011,139,391
Construction work in progress	115,586,203	32,500,178
Building	2,612,656	2,612,656
Land	366,091	366,091
Equipment	985,648	805,752
Less accumulated depreciation	(179,092,874)	(149,167,064)
Property, net	952,489,969	898,257,004
DEFERRED CONSTRUCTION COSTS (Note 4)	11,064,583	10,374,956
DEFERRED CHARGES, NET OF AMORTIZATION	22,960,841	24,658,687
TOTAL ASSETS	$ 1,364,727,720	$ 1,343,177,604

LIABILITIES AND FUND DEFICIT	1996	1995
CURRENT LIABILITIES - Payable from restricted assets: (Note 3)		
Vouchers payable and accrued liabilities	$ 14,980,791	$ 6,793,508
Current portion of long-term debt (Note 5)	20,013,050	9,443,485
Current portion of accrued interest payable (Note 5)	13,037,105	5,487,106
Accrued payroll and compensated absences	538,684	439,655
Customer deposits	21,123	21,123
Arbitrage rebate payable	705,511	415,728
Other	2,285,754	1,592,877
Total current liabilities - payable from restricted assets	51,582,018	24,193,482
NONCURRENT LIABILITIES:		
Long term debt: (Notes 3 and 5)		
Senior lien revenue bonds (Net of unamortized discounts of $13,755,099 and $14,123,715, in 1996 and 1995 respectively)	733,404,901	739,701,285
Tax bonds (Net of unamortized net premiums of $85,079,548 and $68,669,997, in 1996 and 1995, respectively)	929,343,576	926,289,586
Unamortized refunding loss	(157,314,748)	(159,571,212)
Accrued interest payable (Note 5)	56,433,238	61,264,449
Compensatory time payable	33,632	33,362
Total noncurrent liabilities	1,561,900,599	1,567,717,470
Total liabilities	1,613,482,617	1,591,910,952
FUND DEFICIT		
Contributed capital (Note 8)	59,915,139	27,466,347
Accumulated deficit (Note 10)	(308,670,036)	(276,199,695)
Total fund deficit	(248,754,897)	(248,733,348)
TOTAL LIABILITIES AND FUND DEFICIT	$ 1,364,727,720	$ 1,343,177,604

See Notes To Financial Statements

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
STATEMENTS OF OPERATIONS AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEARS ENDED FEBRUARY 29, 1996 AND FEBRUARY 28, 1995

	1996	1995
OPERATING REVENUE:		
Toll Revenue	$ 95,861,505	$ 87,893,552
OPERATING EXPENSES:		
Salaries	8,629,427	8,314,901
Materials and Supplies	209,545	190,886
Services and Fees	7,314,784	6,009,291
Utilities	702,468	698,687
Transportation and Travel	97,830	102,530
Depreciation	30,015,689	28,270,572
TOTAL OPERATING EXPENSES	46,969,743	43,586,867
INCOME FROM OPERATIONS	48,891,762	44,306,685
NON OPERATING REVENUES:		
Interest Revenue	13,461,395	11,814,685
Gain (Loss) on Sale of Investment	316,424	(1,936,073)
Other	975,718	635,955
TOTAL NON OPERATING REVENUES	14,753,537	10,514,567
NON OPERATING EXPENSES:		
Interest Expense	94,721,228	90,434,711
Amortization Expense	1,334,698	1,407,815
Other	59,714	-
TOTAL NON OPERATING EXPENSES	96,115,640	91,842,526
NET LOSS	(32,470,341)	(37,021,274)
ACCUMULATED DEFICIT, BEGINNING OF PERIOD	(276,199,695)	(239,178,421)
ACCUMULATED DEFICIT, END OF PERIOD	$ (308,670,036)	$ (276,199,695)

See Notes To Financial Statements

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 29, 1996 AND FEBRUARY 28, 1995

	1996	1995
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating Income	$ 48,891,762	$ 44,306,685
Adjustments to Operations:		
Depreciation	30,015,689	28,270,572
Other Non Operating Revenues	-	635,955
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	343,780	1,794
(Increase) Decrease in Other Assets	(514,420)	8,060
Increase in Restricted Payables	1,339,182	4,891,616
Increase in Compensatory Time Payable	270	13,926
NET CASH PROVIDED BY OPERATING ACTIVITIES	80,076,263	78,128,608
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Loans to Capital Projects Fund	(4,197,130)	(2,024,040)
Loans to Other Enterprise Fund	-	(1,349,897)
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	(4,197,130)	(3,373,937)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds From Bond Refunding	258,292	656,702,259
Escrow Deposit For Bond Refunding	-	(255,282,224)
Acquisition of Capital Assets	-	(181,155,551)
Construction of Capital Assets	(73,207,997)	(31,574,541)
Acquisition of Rights-of-Way	(66,553)	(4,792,396)
Purchase of Equipment	(1,113,092)	(162,116)
Principal Paid on Bonds	(9,443,485)	(3,336,509)
Interest Paid on Bonds	(84,235,054)	(79,721,137)
Issuance Cost	(92,792)	(3,411,304)
Capital Contributed	30,726,803	4,761,827
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(137,173,878)	102,028,308
CASH FLOWS FROM INVESTING ACTIVITES:		
Purchases of Investments	(399,535,063)	(523,358,593)
Proceeds from Sale/Maturity of Investments	401,770,540	365,208,889
Interest Received	23,613,990	15,716,387
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	25,849,467	(142,433,317)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,445,278)	34,349,662
CASH AND CASH EQUIVALENTS, BEGINNING	44,307,006	9,957,344
CASH AND CASH EQUIVALENTS, ENDING	$ 8,861,728	$ 44,307,006

SEE NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Harris County Toll Road Authority (the "*Authority*") was created by Harris County, Texas, (the "*County*") by order of 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 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. Current construction of Sam Houston East and Sam Houston South Toll Roads is also being financed with the same combination of bonds. When all the debt service, as discussed in Note 5, has been paid or provided for in a trust fund, the Toll Roads will become a part of the State of Texas Highway System.

The County purchased the Sam Houston Ship Channel Bridge (the "*Bridge*") on May 5, 1994. The County issued $232,326,713 Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds to pay for the costs of acquiring the Bridge and a portion of Beltway 8 East approaching and spanning the Houston Ship Channel from the Texas Turnpike Authority. In conjunction with the acquisition of the Bridge, the Texas Department of Transportation *("TxDOT")* agreed to fund the lesser of 50% or $90,000,000 of the Toll Road Project's total construction costs eligible for Federal Aid reimbursement. At February 29, 1996, the Authority had been paid $35,432,930 by TXDOT, slated to Toll Road Projects.

B. BASIS OF ACCOUNTING

The Toll Road Enterprise Fund, a proprietary fund type, is accounted for using the accrual basis of accounting, a flow of economic resources measurement focus. Under this measurement focus, resources are recognized in the period earned, and expenses are recognized in the period incurred. The Toll Road Enterprise Fund applies all Governmental Accounting Standards Board ("*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.

C. CASH AND INVESTMENTS

State statutes authorize the Toll Road Project to invest in fully collateralized or insured time deposits, direct debt securities of the United States or its Agencies, investment grade commercial paper, money market mutual funds, and fully collateralized repurchase agreements. Per County policy, 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 County. 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 signed a master repurchase agreement. Investments are stated at cost or amortized cost.

D. FIXED ASSETS

Fixed assets in excess of $1,000 for the Toll Road Project are capitalized. Fixed 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 4 to 30 years. Roads and buildings are depreciated over a 30-year useful life. Computer equipment and vehicles are depreciated over an estimated useful life of four years, while all other equipment is depreciated over an estimated useful life of ten years.

The Toll Road Project 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. Beginning in October of 1987, 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. Such capitalization increased the cost of assets constructed by the Toll Road Project by $1,732,642 during fiscal year 1996 and decreased the cost of assets by $897,002 during fiscal year 1995.

E. Deferred Charges

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

F. Premiums (Discounts) on Bonds Payable

Premiums (discounts) on bonds payable are amortized using the effective interest method over the term of the bonds.

G. Risk Management

The Toll Road 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 Toll Road 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 other County departments.

The Toll Road 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 29, 1996 is $750,000 per occurrence.

Through the County, the Authority provides medical, dental, vision, and basic life and disability insurance to eligible employees and retirees. The Authority pays the full cost of employee and retiree coverage and 50% of the cost of dependent premiums. For fiscal year 1996, medical coverage was offered through Sanus/New York Life (NYLCare), vision coverage through United HealthCare Insurance Company of Texas, Inc., and dental coverage through United HealthCare Dental, Inc. Life and disability coverage is provided by Standard Life Insurance Company. 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%.

Toll Road Authority group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverages, are paid into the County's Risk Management Internal Service 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.

H. 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 sick leave hours. Employees with more than one year of service accrue from two to four weeks of 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. A liability for vacation earned, but not taken, has been recorded.

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. Accordingly, a liability for compensatory time earned has been recorded.

As of February 29, 1996 and February 28, 1995, $264,857 and $226,157, respectively, have been recorded for future compensated absences.

I. 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.

J. 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.

NOTE 2. CASH AND INVESTMENTS

The carrying amount of the Toll Road Project's deposits was $205,672 and $20,469 at February 29, 1996 and February 28, 1995, respectively. The bank balances of $518,469 at February 29, 1996 and $910,269 at February 28, 1995 were covered by federal depository insurance or collateralized with securities held by the Toll Road Project's agent in the Toll Road Project's name.

At year-end, investments consisted of U. S. government securities, commercial paper, municipal bonds and money market mutual funds and are categorized as either: (1) insured or registered, or securities held by the Toll Road Project's agent in the Toll Road Project's name; (2) uninsured or unregistered, with securities held in the trust department of the Toll Road Project's counterparty in the Toll Road Project's name, or (3) uninsured or unregistered, with securities held at the Federal Reserve or other third party in the account of the Toll Road Project's counterparty. At February 29, 1996, $356,984,490 of the Toll Road Project's investments were included in category (1). For February 28, 1995, $362,267,725 of the Toll Road Project's investments were included in category (1), and $1,198,194 in category (2). Year-end carrying amounts and market values of the Toll Road Project's investments are as follows:

	1996		1995	
	Carrying Amount	Market Value	Carrying Amount	Market Value
U.S. government securities	$256,856,331	$258,080,977	$226,273,456	$226,247,323
Commercial paper	6,426,641	6,425,066	57,929,921	58,509,772
Municipal bonds	93,701,518	93,435,427	79,262,542	79,104,519
Money market mutual funds	6,182,710	6,182,710	38,318,445	38,318,445

During fiscal years 1996 and 1995, the Toll Road sold investments which resulted in a net gain of $316,424 and a net loss of $1,936,073 respectively. The proceeds received from the sale of these investments were utilized to fund the cost of construction currently in progress.

NOTE 3. RESTRICTED ASSETS

Certain Toll Road Project assets 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 Toll Road Project has pledged under the bond indentures to maintain certain amounts in a debt service reserve. During fiscal years 1996 and 1995, the Toll Road Project was in compliance with these covenants.

NOTE 4. DEFERRED CONSTRUCTION COSTS

Construction of the airport connector, which will run generally parallel to and north of Greens Road and connect directly with the JFK Boulevard access to the airport, is proposed in the capital budget for fiscal year 1997. However, the County has not made a commitment to undertake such construction at this time. The capitalized costs for the project include engineering, design fees, and capitalized interest and bond costs.

NOTE 5. TAX AND REVENUE BONDS

The Toll Road Project 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 earned thereon, are being used to finance the construction costs, the related debt service, and a portion of the maintenance and operating expenses.

A. The Toll Road's long-term debt consisted of the following as of February 29, 1996:

Type of Debt	Stated Interest Rate Range	Principal* Outstanding Balance, February 29, 1996	Less Current Maturities (To Be Paid in FY 1996-97)	Long-Term Maturities, February 29, 1996
Senior Lien Revenue Bonds	4.00% - 7.75%	$ 740,069,901	$ 6,665,000	$ 733,404,901
Tax Bonds	2.00% - 21.80%	942,691,626	13,348,050	929,343,576
Total - Toll Road Fund Debt		$1,682,761,527	$20,013,050	$1,662,748,477

B. Changes in the Toll Road's Long-Term Debt for fiscal years 1995-96 and 1994-95, respectively, were as follows:

	Outstanding, February 28, 1995	Principal* Issued	Redeemed/ Paid	Amortization Net Premium Discount	Outstanding Balance, February 29, 1996
Senior Lien Revenue Bonds	$ 739,701,285	$ -	$ -	$368,616	$ 740,069,901
Tax Bonds	935,733,071	39,844,925	32,481,850	(404,520)	942,691,626
Total - Toll Road Fund Debt	$1,675,434,356	$ 39,844,925	$ 32,481,850	$(35,904)	$1,682,761,527

	Outstanding, February 28, 1994	Principal* Issued	Redeemed/ Paid	Amortization Net Premium Discount	Outstanding Balance, February 28, 1995
Senior Lien Revenue Bonds	$ 665,969,904	$ 73,393,725	$ -	$337,656	$ 739,701,285
Tax Bonds	605,659,071	588,590,417	258,436,509	(79,908)	935,733,071
Total - Toll Road Fund Debt	$1,271,628,975	$661,984,142	$258,436,509	$257,748	$1,675,434,356

*Includes unamortized premium and accrued compound interest bonds.

C. Long-Term Debt Detail

Issue	Interest Rate Range(%)	Term Issue	Term Maturity	Special Conditions	Outstanding Balance, February 29, 1996
Senior Lien Revenue Bonds (*)					
Series 1985A	6.50 - 6.50	1985	2007	Current Interest Bonds, Maturity 1996-2007	$ 1,335,000
Series 1985B	7.25 - 7.75	1985	2002	Current Interest Bonds, Maturity 1996-2002	2,475,000
Series 1985C	6.90 - 7.10	1985	2002	Current Interest Bonds, Maturity 1996-2002	2,690,000
Series 1985D	7.30 - 7.65	1985	2002	Current Interest Bonds, Maturity 1996-2002	3,725,000
Series 1987	7.25 - 7.50	1987	2002	Current Interest Bonds, Maturity 1996-2002	1,885,000
Series 1985-F	6.50 - 6.75	1985	2017	Current Interest Bonds, Maturity 1996-2017	3,845,000
Series 1992-A	5.80 - 6.65	1992	2017	Current Interest Bonds, Maturity 1999-2017	57,105,000
Series 1992-B	5.90 - 6.65	1992	2017	Current Interest Bonds, Maturity 1999-2017	10,670,000

Series 1994	4.00 - 5.50	1994	2021	Current Interest Bonds, Maturity 1998-2021	595,095,000
Series 1994A	5.30 - 6.10	1994	2024	Current Interest Bonds, Maturity 2001-2024	75,000,000
Total Senior Lien Revenue Bonds					753,825,000
Less: Unamortized Discount					13,755,099
Net Senior Lien Revenue Bonds					740,069,901
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Series 1984 (portion refunded in 1985 and 1982)	9.75 - 10.25	1984	2000	Compound Interest Bonds, payable upon maturity 1996-2000.	8,648,685
Series 1985 (portion refunded in 1988 and 1992)	9.15 - 10.00	1985	2004	Compound Interest Bonds, payable upon maturity 1996-2004.	3,192,306
Refunding Bonds, Series 1985F (portion refunded in 1991)	13.58 - 13.59	1985	2003	Compound Interest Bonds, payable upon maturity 1992-2003.	5,411,885
Refunding Bonds, Series 1988 (portion refunded in 1992 & 1995)	6.80 - 7.00	1996	1997	Current Interest Rate Bonds- maturity 1996-1997.	3,725,000
Refunding Bonds, Series 1991	6.95 - 7.25	1991	2014	Compound Interest Bonds, payable upon maturity 2001-2008.	6,095,000
	5.85 - 7.50			Current Interest Rate Bonds - maturity 1995-2014.	162,170,000
Refunding Bonds, Series 1992A	5.80 - 6.80	1992	2015	Compound Interest Bonds, payable upon maturity 1997-2008.	13,820,000
	6.50			Current Interest Bonds - maturity 2009.	43,180,000
Refunding Bonds, Series 1992B	5.80 - 6.80	1992	2016	Compound Interest Bonds, payable upon maturity 1997-2008.	2,992,490
	6.50			Current Interest Rate Bonds - Maturity 2010-2016	11,715,000
Series 1994A	5.70 - 6.30	1994	2007	Compound Interest Bonds, payable upon maturity 2001-2007.	30,881,713
	6.10 - 8.00	1994	2024	Current Interest Rate Bonds - Maturity 2008 - 2024	201,445,000
Series 1994B-H	Variable	1994	2020	Variable Interest, optional redemption, mandatory redemption 1999-2020	350,000,000
Series 1995A	2.76 - 3.89	1996	2012	Compound Interest Bonds, payable upon maturity 2002 - 2012.	1,500,000
	3.85 - 6.00			Current Interest Bonds Maturity 1996 - 2001.	12,835,000
Total Tax Bonds					857,612,079
Unamortized Premium					85,079,547
Net Tax Bonds					942,691,626
Total - Toll Road Bonded Debt					$ 1,682,761,527

(*) Portions of all Senior Lien Revenue Bond Series were refunded by Series 1994.

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 also are 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 revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the debt service requirements on the Senior Lien Revenue Bonds. The 1.25 revenue coverage covenant went into effect during fiscal year 1993-1994. The Toll Road Project's revenue coverage ratio for was 3.03 and 2.38 at February 29, 1996 and February 28, 1995, respectively.

The Series 1994B-H Tax Bonds are subject to purchase on the demand of the holder, at any time prior to the conversion from the variable rate, at a price equal to principal plus accrued interest. The variable interest rate is determined weekly by Bankers Trust Securities Corporation and J. P. Morgan Securities Inc., and is based upon current yields on short-term, tax-exempt obligations. 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 October 1, 1998. The fee for the standby agreement is 0.15% per annum, paid annually, on the outstanding principal balance. The following is the debt service requirements of Series 1994B-H Tax Bonds assuming the standby bank has purchased all of the demand bonds and the ceiling interest rate of 15% up through the expiration of the agreement as of February 29, 1996:

Fiscal Year	Principal	Interest	Total
1997	-	$52,500,000	$52,500,000
1998	-	52,500,000	52,500,000
1999	350,000,000	30,625,000	380,625,000
Total	$350,000,000	$135,625,000	$485,625,000

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 semi annual installments of principal and interest based on the purchased bond rate. The County has not defaulted on any of its bonded debt obligations.

D. REFUNDINGS

Fiscal Year Ended February 29, 1996

On October 26, 1995, the County issued $14,355,000 of Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1995A, to refund portions of the outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1988 and 1992B. The County refunded these bonds in order to achieve debt service savings. The proceeds of the Series 1995A refunding bonds were used to purchase U.S.

government securities, were placed in an escrow fund, and were pledged to pay the principal and interest of the refunded bonds. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,353,297. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized to operations over the remaining life of the old bonds using the straight line method. There was a decrease of debt service requirements of $6,032,032 and an economic gain of $4,000,198.

Fiscal Year Ended February 28, 1995

On July 28, 1994, the County issued Toll Road Unlimited Tax and Subordinate Lien Revenue Adjustable/Fixed Rate Bonds, Series 1994X to refund and defease $5,100,000 of the outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Adjustable/Fixed Rate Bonds, Series 1985A-E. The purpose of the refunding was to restructure and extend the scheduled maturity of the refunded bonds in order to facilitate a scheduled future refinancing of the entire $250,000,000 Adjustable/Fixed Rate Toll Road indebtedness. Due to the nature of the bonds, there was no decrease of debt service requirements or an economic gain/loss.

On October 26, 1994 the County issued $350,000,000 of Unlimited Tax and Subordinate Lien Revenue Toll Road Variable Rate Bonds, Series 1994B-H. Of the $350,000,000, $250,000,000 was used to refund the $244,900,000 Series 1985 A-E and the $5,100,000 Series 1994X. The remaining $100,000,000 is to be used for construction. Both series were completely refunded and there is no outstanding escrow fund for this refunding. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,384,107. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized to operations over the remaining life of the old bonds using the straight line method. Due to the nature of the bonds, there was no decrease of debt service requirements or an economic gain/loss.

E. Debt Service Requirements

Total interest expense was $98,832,486 and $95,032,057 for fiscal years 1996 and 1995, respectively. The following are the debt service requirements for bonds payable (assuming a variable rate of 5.5%):

Fiscal Year	Principal**	Interest	Total
1997	$ 20,013,050	$ 97,247,817	$ 117,260,867
1998	19,877,709	95,971,385	115,849,094
1999	20,883,038	95,269,120	116,152,158
2000	29,985,482	94,405,311	124,390,793
2001	33,157,461	92,998,791	126,156,252
2002-2025	1,487,520,339	1,313,944,134	2,801,464,473
Total	$ 1,611,437,079	$ 1,789,836,558	$ 3,401,273,637

** Does not include unamortized premiums and discounts

F. Unissued Authorized Bonds

As of February 29, 1996, the County has voter authorization to issue additional unlimited tax bonds on the Toll Road Project in the amount of $17,700,000.

G. Defeasance of Debt

In prior years, the County has defeased certain Toll Road 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 Toll Road's financial statements. At February 29, 1996 and February 28, 1995, the outstanding principal balance of these defeased bonds was $1,380,038,167 and $1,369,995,836, respectively.

NOTE 6. RETIREMENT PLAN

A. 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. The plan provides pension, disability and death benefits for members. Eligible employees are required to participate in and contribute to the plan in an amount set by Commissioners Court between 4% and 7% of their monthly earnings. The adopted employee contribution rate is currently 7%.

The plan provisions are adopted by the Commissioners Court within the options available in the state statutes governing the TCDRS. The plan adopted provides that members can retire at age 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. A member is vested after 8 years of service but must leave accumulated contributions in the plan. If a member withdraws their personal contribution in a lump sum, he is not entitled to any amounts contributed by the employer.

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 Commissioners Court. 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 the establishment of the plan. The retirement benefit funding ratio, which is established under the state law governing the TCDRS, is the ratio of County contributions to employee contributions, with interest. It can range between 1:1 and 2.5:1. The retirement funding ratio, as adopted by Commissioners Court, is 2.2:1. The monthly retirement benefit amount is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits were used to purchase an annuity within TCDRS.

Effective January 1, 1995, Commissioners Court adopted an annually determined contribution rate plan, which has its total employer contribution actuarially determined each year. This contribution ratio for the period of January 1, 1995 to December 31, 1995 consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over a 25 year amortization period. The possibility of an unfunded actuarial liability exists because of the 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 contribution rate may vary between the employee contribution rate, currently 7%, and the employee contribution rate plus 3%, which would result in a maximum contribution rate of 10% for the employer. The employer's contribution rate can be reduced by forfeited County Contributions, which remain in the plan to lower unfunded actuarial liabilities and/or reduce the annually determined contribution rate. At the latest available actuarially calculation date, December 31, 1994, there was an unfunded pension benefit obligation of $13,014,551.

The possibility of an unfunded actuarial liability exists, because the County retirement funding ratio of 2.2:1 exceeds the County's annual contribution rate. Unfunded actuarial liabilities are generally funded by forfeitures from employee's not vesting and the differential between interest applied to County deposits and employee deposits. If forfeitures and the interest differential are not sufficient, the County's contribution rate could be increased to a maximum of 10%, or the County's retirement funding ratio of 2.2:1 could be reduced.

B. Contribution Requirements

The Toll Road Project's total payroll for fiscal years 1996 and 1995 was $6,590,507 and $6,375,994, respectively, of which $6,006,851 and $5,865,457, respectively, was covered by the plan. As required, employer contributions were made totaling $497,968 for fiscal year 1996 and $422,316 for fiscal year 1995. Also, required employee contributions were made totaling $420,479 for fiscal year 1996 and $410,582 for fiscal year 1995.

C. Funding Status

Although the substance of the plan is not to provide a defined benefit, additional disclosure (similar to that of a defined contribution plan) is appropriate due to the nontraditional existence of an unfunded pension benefit obligation in earlier years and employer-financed monetary credits in excess of 100% of the employees' personal contributions. TCDRS's actuary determined that the County's 7% contribution includes the normal cost of 5.21% to fund the accruing monetary credits while the remaining portion, 1.79%, is available to amortize any unfunded pension benefit obligation. Effective January 1, 1996, the County's contribution rate increased from 8.26% to 8.29% under the annually determined contribution rate plan implemented January, 1 1995. 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 pension benefit obligation through the periodic adoption or increases in benefits and benefit credits. The rate available to amortize any unfunded pension benefit obligation may vary slightly from year to year since it is determined as the County contribution rate minus the normal cost contribution rate recalculated annually.

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. Significant actuarial assumptions used in determining the pension benefit obligation include a rate of return on the investment of present and future assets of 7% for employee contributions and 9% for employer contributions compounded annually. The calculations were made as part of the annual actuarial valuation as of December 31, 1994. The actuarial valuation as of December 31, 1995 was not available at the time this report was prepared. Market value of assets is not determined separately for each plan, but the market value of assets for TCDRS as a whole was 100.3% of book value as of December 31, 1994.

The 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, 1994 and 1993, respectively, includes the following:

	December 31, 1994	December 31, 1993
Pension Benefit Obligation:		
Annuitants:		
Currently receiving benefits	$ 70,475,379	$ 62,583,209
Terminated employees	44,907,672	40,199,750
Members:		
Accumulated employee contributions including allocated investment earnings	273,281,869	244,939,535
Employer-financed vested	310,028,366	235,868,977
Employer-financed nonvested	39,178,147	63,046,910

Total	737,871,433	646,638,381
Net Assets Available for Benefits, at book value	724,856,882	646,869,300
Unfunded Pension Benefit Obligation	$ 13,014,551	$ 230,919

The pension benefit obligation amount shown above reflects changes in benefit provisions adopted since the previous actuarial valuation, which had the effect of increasing the pension benefit obligation by $14,029,385.

E. Trend Information

Historical trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented in the following table for plan years ended December 31, 1992 through December 31, 1994:

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 Contributions as a Percentage of Annual Covered Payroll
1992	103.60%	(6.17%)	7%
1993	100.00%	-	7%
1994	98.23%	3.76%	7%

Ten year historical trend is available in a separately issued report published by the TCDRS.

F. Post Employment Benefits

In addition to providing pension benefits described herein, the County provides certain retirement health care and life insurance benefits for retired employees. County regulations allow all County employees to become eligible for these benefits after meeting the vesting requirements of the County's retirement plan. These requirements, which were modified effective January 1, 1996, require 30 years of service, or 8 years of service and 60 years of age, or years of service plus age equal 75 or more. The County pays 100% of the cost of medical and life insurance coverage for retirees. The Authority recognizes expenses for retirement benefits as paid, which during fiscal years 1996 and 1995 approximated $4,058 and $2,623, respectively. Presently, two retirees qualify for retirement benefits.

NOTE 7. DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their current salary until future years. The deferred compensation plus accumulated interest is not available to the employees until termination, retirement, death or an unforeseeable emergency. Such plan is recorded in an agency fund of the County.

All amounts of deferred compensation and 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 participants' deferred account. 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. The plan assets and liabilities are reported in the Deferred Compensation Fund and reported with the Agency Funds. The plan is managed and administered by the plan's trustee. Various investment options are underwritten by Aetna Casualty and Life Insurance Company and PEBSCO Securities Corporation.

NOTE 8. CONTRIBUTED CAPITAL

During fiscal year 1996 contributed capital increased by $32,448,792. The increase is primarily due to construction reimbursements from TXDOT.

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Toll Road is committed under a multiyear lease agreement for toll collecting and accounting equipment, including maintenance. As of February 29, 1996, the Toll Road's obligation for such annual rental payments is estimated as follows:

Fiscal Year	Amount
1997	$1,785,750

Rent expense for fiscal year 1996 and 1995 was $2,882,677 and $2,410,576, respectively.

The Toll Road Project 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, the resolution of these matters is not expected to have a materially adverse effect on the financial condition of the Toll Road Project.

NOTE 10. FUND DEFICIT BALANCE

The Toll Road has an accumulated deficit of $308,670,036, which has resulted from initial expenses and net interest expense of $128,229,576, which was funded with bond proceeds in accordance with the bond indentures and depreciation expense of $180,440,460.

NOTE 11. INTERFUND LOANS

The Toll Road has made loans to the Criminal Justice Center Capital Project Fund for construction of the Criminal Justice Center and to the Westbrook Square Apartments Enterprise Fund to acquire the Westbrook Square Apartment Complex. Both loans were initially started in fiscal year 1995. The loan for the Criminal Justice Center will be repaid with interest when the $85,000,000 in Criminal Justice Bonds are issued, which voters authorized during the November 1993 election. The loan to the Westbrook Square Apartments Enterprise Fund will be repaid with interest when the Apartment Complex is sold.

During fiscal years 1996 and 1995, the Toll Road loaned $4,197,130 and $2,024,040 to the Criminal Justice Center Capital Projects Fund for construction of the Criminal Justice Center. After the initial loan of $1,349,897 in fiscal year 1995, there were no additional loans made during fiscal year 1996 to the Westbrook Square Apartment Complex. Interest accrued for both loans in fiscal years 1996 and 1995, was $335,578 and $48,731, respectively.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS UNDER BOND ORDINANCES FOR THE YEAR ENDED FEBRUARY 29, 1996

				Debt Service Bonds					
	Capital Projects	Revenue	Operations and Maintenance	Tax Bonds	Revenue Bonds	Revenue Bond Reserve	Office Building	Renewal and Replacement	Total
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING	$ 189,263,999	$ 38,843,912	$ 666,907	$ 32,156,323	$ 30,717,369	$ 64,125,024	$ 713,077	$ 49,190,156	$ 405,676,767
RECEIPTS:									
Customer Deposits	0	1,344,897	0	0	0	0	0	0	1,344,897
Operating Revenues	0	95,861,505	0	0	0	0	0	0	95,861,505
Interest Received	9,623,733	2,345,011	0	2,595,014	2,131,036	4,031,581	32,845	2,538,285	23,297,505
Reimbursements	30,727,068	0	0	0	0	0	0	0	30,727,068
Other Receivables	254,181	357,347	21,460	0	0	195	61,489	0	694,672
Accrued Interest Purchased	146,312	0	0	71,705	0	0	0	0	218,017
Gain or (Loss)	231,899	(9,167)	0	3,979	7,318	82,157	0	299	316,485
Bond Proceeds	189,753	0	0	68,539	0	0	0	0	258,292
TOTAL RECEIPTS	41,172,946	99,899,593	21,460	2,739,237	2,138,354	4,113,933	94,334	2,538,584	152,718,441
DISBURSEMENTS:									
Escrow Payments due to Refunding	0	0	0	0	0	0	0	0	0
Principal Payments	0	0	0	9,443,485	0	0	0	0	9,443,485
Interest Payments	0	0	0	43,531,497	40,703,557	0	0	0	84,235,054
Accrued Interest Purchased	146,312	0	0	71,705	0	0	0	0	218,017
Construction	65,438,642	0	0	0	0	0	0	0	65,438,642
Engineering	9,316,487	0	0	0	0	0	0	0	9,316,487
Right-of-Way	133,640	0	0	0	0	0	0	0	133,640
Equipment Additions	0	0	0	0	0	0	0	0	0
Operations and Maintenance	248,784	21,956	12,706,925	0	0	0	0	0	12,977,665
Administration	139,918	13,000	3,469,190	633,560	2,526	6,339	96,493	1,712	4,362,738
TOTAL DISBURSEMENTS	75,423,783	34,956	16,176,115	53,680,247	40,706,083	6,339	96,493	1,712	186,125,728
INTERFUND TRANSFERS:									
Construction	0	(536,165)	414,142	718,881	0	0	0	(671,627)	(74,769)
Revenue	536,165	0	15,247,000	58,800,445	38,792,307	2,000	0	269,000	113,646,917
Operations and Maintenance	(414,142)	(15,247,000)	0	0	0	0	0	0	(15,661,142)
Tax Bond Debt Service	(233,881)	(59,285,445)	0	0	0	0	0	0	(59,519,326)
Revenue Bond Debt Service	0	(38,792,307)	0	0	0	(9)	0	0	(38,792,316)
Revenue Bond Debt Service Reserve	0	(2,000)	0	0	9	0	0	0	(1,991)
Renewal and Replacement	671,627	(269,000)	0	0	0	0	0	0	402,627
TOTAL TRANSFERS	559,769	(114,131,917)	15,661,142	59,519,326	38,792,316	1,991	0	(402,627)	0
Amortization	(11,837)	(15,208)	0	(163,559)	14,181	39,141	(2,877)	(13,335)	(153,494)
CASH, CASH EQUIVALENTS AND INVESTMENTS, ENDING	$ 155,561,094	$ 24,561,424	$ 173,394	$ 40,571,080	$ 30,956,137	$ 68,273,750	$ 708,041	$ 51,311,066	$ 372,115,986