

**Deloitte &  
Touche**

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TOLL ROAD ENTERPRISE FUND  
OF HARRIS COUNTY, TEXAS

Financial Statements and Supplemental  
Schedule as of February 28, 1990 and  
for the Year then Ended 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 ("Toll Road Project") as of February 28, 1990, and for the year then ended. These financial statements and the supplemental schedule discussed below are the responsibility of Harris County, Texas 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 discussed in Note 1 to the financial statements, the financial statements referred to above present only the Toll Road Project and are not intended to present fairly the financial position and the results of its operations and the changes in financial position of its proprietary and similar trust fund type 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 Project at February 28, 1990 and the results of its operations and the changes in its financial position for the year then ended 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, 1990 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Toll Road Project. 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 & Touche*

May 31, 1990

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
BALANCE SHEET, FEBRUARY 28, 1990

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ASSETS

CURRENT UNRESTRICTED ASSETS:

Cash (Note 2)	\$	495,201
Accrued interest receivable		2,150,328
Other receivables		25,038
Prepaid insurance		<u>22,609</u>
Total current unrestricted assets		<u>2,693,176</u>

RESTRICTED ASSETS - Cash and Investments  
(Notes 2 and 3)

287,330,109

PROPERTY:

Roads, bridges and rights-of-way	569,553,341
Building	1,233,909
Land	366,091
Equipment	293,869
Construction work in progress	<u>219,734,299</u>
Total property	791,181,509
Less accumulated depreciation	<u>(28,168,389)</u>
Property, net	<u>763,013,120</u>

DEFERRED CHARGES, NET OF AMORTIZATION

14,346,928

TOTAL

\$1,067,383,333

See notes to financial statements.

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LIABILITIES AND FUND EQUITY (DEFICIT)

CURRENT LIABILITIES - Payable from unrestricted  
assets:

Vacation payable	\$	97,585
Other		<u>21,691</u>

Total current liabilities - payable from unrestricted assets		<u>119,276</u>
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CURRENT LIABILITIES - Payable from restricted  
assets (Note 3):

Vouchers payable	6,928,501
Retainages payable	5,215,463
Current portion of accrued interest payable	4,615,103
Salaries payable	<u>43,400</u>

Total current liabilities - payable from restricted assets	<u>16,802,467</u>
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NONCURRENT LIABILITIES:

Long-term debt (Notes 3 and 4):

Senior lien revenue bonds (Net of unamortized discount of \$657,391)	546,842,609
Tax bonds (Net of unamortized premium of \$13,315,291)	563,315,291
Supplemental interest certificates	3,740,849
Accrued interest payable	28,086,727
Compensatory time payable	<u>8,364</u>

Total noncurrent liabilities	<u>1,141,993,840</u>
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Total liabilities	<u>1,158,915,583</u>
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FUND EQUITY (DEFICIT) (Notes 8 and 10)

Contributed capital	21,892,423
Retained deficit	<u>(113,424,673)</u>

Total fund equity (deficit)	<u>(91,532,250)</u>
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TOTAL	<u><u>\$1,067,383,333</u></u>
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HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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OPERATING REVENUES:	
Toll revenues	\$ 29,119,471
Lease of building	<u>52,428</u>
Total operating revenues	<u>29,171,899</u>
OPERATING EXPENSES:	
Depreciation	15,697,258
Administrative	3,078,919
Road operations (Note 9)	6,353,884
Building operations	<u>68,599</u>
Total operating expenses	<u>25,198,660</u>
INCOME FROM OPERATIONS	<u>3,973,239</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expenses (Note 4)	(58,712,886)
Interest revenues	19,242,796
Other	<u>(134,082)</u>
Total nonoperating revenues (expenses)	<u>(39,604,172)</u>
Net loss	(35,630,933)
Retained deficit, beginning of year	<u>(77,793,740)</u>
Retained deficit, end of year (Note 10)	<u><u>\$(113,424,673)</u></u>

See notes to financial statements.

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HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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Sources of cash and investments

Proceeds from bond sales	\$122,551,290
Decrease in multi-mode pledged account	126,143,240
Increase in:	
Payables for interest, vouchers, salaries, vacations and compensatory time	8,118,726
Contributed capital	<u>2,714</u>
Total sources of cash and investments	<u>256,815,970</u>

Uses of cash and investments

By operations:	
Net loss	35,630,933
Items not affecting cash:	
Depreciation	(15,697,258)
Amortization of premiums, discounts and deferred charges	<u>(311,539)</u>
Used by operations	19,622,136
Property additions	126,457,787
Bond remarketing and redemption	123,220,000
Bond issuance costs	5,848,801
Payments on supplemental interest certificates payable	1,679,148
Decrease in:	
Accrued interest receivable	(620,875)
Other	<u>(191,084)</u>
Total uses of cash and investments	<u>276,015,913</u>
Decrease in cash and investments	(19,199,943)
Cash and investments, beginning of year	<u>307,025,253</u>
Cash and investments, end of year	<u>\$287,825,310</u>

See notes to financial statements.

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HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Toll Road Enterprise Fund ("Toll Road Project") 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 ("Toll Roads") 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.

The Toll Road Project opened a 6.3 mile section of the tollway during fiscal year 1990. At fiscal year end approximately 74% of the total miles have been opened for public use. As a result, the Toll Road Project is no longer considered to be in the development stage, as it has been in prior fiscal years.

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, 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 obligation 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 signed a master repurchase agreement. Investments are stated at cost or amortized cost.

Property and Depreciation

Property constructed or acquired by purchase is stated at historical cost. Donated fixed assets are stated at their estimated fair market value on the date donated.

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Depreciation, Continued

The Toll Road Project capitalizes, as a cost of its constructed property, the interest expense 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. In late September of 1987, the first of four sections of the Toll Road was opened for operations. All interest expense and interest earnings were capitalized through September 1987. Beginning in October of 1987, the net interest cost has 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 approximately \$20,000,000 in fiscal year 1990.

Property is depreciated using the straight line method. The Toll Roads are being depreciated over the remaining life of their bonds. Buildings are depreciated over an estimated useful life of thirty years and equipment is depreciated over an estimated useful life of four to ten years.

Deferred Charges

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

Bond Premiums (Discounts)

The premiums (discounts) on bonds payable 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 Project 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 administered by Texas Employers' Insurance Association in connection 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, 1990 is \$750,000 per occurrence. The liability for outstanding losses includes approximately \$4,300,000 for incurred but not reported claims, which have been actuarially determined.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Workers' Compensation and Group Insurance, Continued

The Group Health Insurance Internal Service Fund was established in 1989 to account for the County and District's group health insurance plans that includes HMO coverage and a self-funded plan for benefits for comprehensive major medical, dental and vision care. Under this self-funded agreement, 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. Harris County has recorded all accruals for estimated claims and incurred but not reported claims at February 28, 1990.

Effective March 1, 1990 Harris County changed its plan administrator for the Group Health Self Funded agreement. There will be a final accounting made with the previous administrator. However, Harris County does not believe there will be significant adjustments as a result of this final accounting.

Paid Absences

Employees receive vacation and sick pay in varying amounts, 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, no liability recorded at February 28, 1990.

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.

Non-exempt employees earn compensatory time at one and a half times their full pay times the excess of 40 hours worked. Non-exempt 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.

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

2. CASH AND INVESTMENTS

At year-end, the carrying amount of the Toll Road Project's demand and time deposits was \$12,281,733. The \$13,753,097 bank balance was covered by federal depository insurance or collateralized with securities held by the Toll Road Project's agent in the Toll Road Project's name. The Toll Road Project did not invest in repurchase agreements during the year other than those purchased by various Trustees. The Toll Road Project'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 Project's agent in the Toll Road Project's name, (2) securities held in the trust department of the Toll Road Project's counterparty in the Toll Road Project's name, (3) securities held at the Federal Reserve or other third party in the account of the Toll Road Project's counterparty. Shown below are the Toll Road Project's investments at February 28, 1990.

	Categories			Carrying Amount	Market Value
	1	2	3		
Investments included in Restricted Cash and Investments	<u>\$265,025,637</u>	<u>\$10,355,788</u>	<u>\$162,152</u>	<u>\$275,543,577</u>	<u>\$274,349,727</u>

3. RESTRICTED ASSETS

The bond restrictions require that, during the period in which the bonds are outstanding, the Toll Road Project 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

The following is a summary of the bonds payable transactions:

Balance, beginning of year	\$1,111,343,494
Issues	122,551,290
Remarketing and redemption	(123,220,000)
Premium/discount amortization	<u>(516,884)</u>
Balance, end of year	<u>\$1,110,157,900</u>

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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4. LONG-TERM DEBT, Continued

The final series of Multiple-Mode Senior Lien Revenue Bonds, the Series 1985-F Bonds, was remarketed on August 15, 1989. In addition to remarketing the Series 1985-F Bonds, the County exercised its option to call the Series 1985-G Bonds for redemption on August 15, 1989. Proceeds of the Series 1989 Bonds, together with other funds, were used to refund and defease the lien of the Series 1985-G Bonds at 100.25% of the principal amount.

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; mandatory redemption 1996-2002	\$ 97,160,000
Series 1985-B, interest at 8.625%-8.7% payable semiannually; mandatory redemption 1996-2002	85,940,000
Series 1985-C, interest at 8%-8.125% payable semiannually; mandatory redemption 1996-2002	93,405,000
Series 1985-D, interest at 7.3%-8.1% payable semiannually; mandatory redemption 1996-2002	82,350,000
Refunding Series 1987, interest at 8.625%-8.7% payable semiannually; mandatory redemption 1996-2002	65,425,000
Series 1985-F, interest at 6.5%-7.10% payable semiannually; mandatory redemption 2007-2017	60,725,000
Series 1989	<u>62,495,000</u>
Total Senior Lien Revenue Bonds	<u>547,500,000</u>

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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 Bonds, Series 1985-F	186,230,000
Refunding Bonds, Series 1988	<u>85,695,000</u>
Total Tax Bonds	<u>550,000,000</u>
Total Long-term Principal	1,097,500,000
Unamortized Premium on Series 1985-F Unlimited Tax Bonds	5,732,029
Unamortized Premium on Series 1988 Unlimited Tax Bonds	7,583,262
Unamortized Discount on Series 1989 Senior Lien Revenue Bonds	<u>(657,391)</u>
Total Bonds Payable	1,110,157,900
Supplemental Interest Certificates Payable	<u>3,740,849</u>
Total Long-Term Debt	<u><u>\$1,113,898,749</u></u>

The Series 1989 Senior Lien Revenue Bonds include \$36,925,000 in current interest bonds, with interest at 6.5-7.1% payable semiannually and mandatory redemptions from 2007-2021, and \$25,570,000 of compound interest bonds, due 2018-2021 at a yield to maturity of 7%, with payments at maturity totaling \$207,873,430.

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

	<u>Series 1984</u>	<u>Series 1985</u>	<u>Series 1985-F</u>	<u>Series 1988</u>
Compound interest bonds	\$13,770,000	\$14,305,000	\$ 9,370,000	\$ 5,635,000
Current interest rate bonds	<u>-</u>	<u>-</u>	<u>176,860,000</u>	<u>80,060,000</u>
Balance, February 28, 1990	<u>\$13,770,000</u>	<u>\$14,305,000</u>	<u>\$186,230,000</u>	<u>\$85,695,000</u>

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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4. LONG-TERM DEBT, Continued

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

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 Road Projects. 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 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. Until the Toll Roads become fully operational, the County expects to pay most of the debt service on these bonds from bond proceeds and the interest revenues thereon.

The Series 1985 A-E Tax Bonds are subject to purchase on the demand of the holder, at anytime prior to the conversion from TENR, at a price equal to principal plus accrued interest. The TENR is an interest rate determined weekly by Bankers Trust Company 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.

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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4. LONG-TERM DEBT, Continued

The terms of the stand-by agreement require the County to redeem the purchased bonds upon the expiration or termination (by events of default) of the stand-by agreement. The scheduled expiration date of the stand-by agreement is June 1, 1995. The fee for the stand-by 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 stand-by agreement, the ceiling interest rate of 15%, and that the stand-by bank has purchased all of the demand bonds as of February 28, 1990:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>250,000,000</u>	<u>9,375,000</u>	<u>259,375,000</u>
	<u>\$250,000,000</u>	<u>\$159,375,000</u>	<u>\$409,375,000</u>

Upon termination of the stand-by 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 5 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. To date, the County has never defaulted on any of its bonded debt obligations.

Debt Service Requirements

Total interest cost was \$88,975,795 which includes \$311,539 for amortization of deferred charges and premiums and discounts on bonds payable.

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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4. LONG-TERM DEBT, Continued

Debt Service Requirements, Continued

The following are the debt service requirements for bonds payable (assuming the most recent TENR OF 5.05%):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1991	\$ -	\$ 76,248,776	\$ 76,248,776
1992	2,540,000	76,156,701	78,696,701
1993	1,192,690	77,871,936	79,064,626
1994	3,320,431	77,948,670	81,269,101
1995	13,249,681	84,192,674	97,442,355
1996-2000	97,554,205	417,764,661	515,318,866
2001-2005	129,514,734	400,839,220	530,353,954
2006-2010	257,542,023	283,500,342	541,042,365
2011-2015	380,771,236	178,446,596	559,217,832
2016-2022	<u>211,815,000</u>	<u>202,471,534</u>	<u>414,286,534</u>
Total	<u>\$1,097,500,000</u>	<u>\$1,875,441,110</u>	<u>\$2,972,941,110</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1991	\$1,933,653	\$271,347	\$2,205,000
1992	<u>1,807,196</u>	<u>397,804</u>	<u>2,205,000</u>
	<u>\$3,740,849</u>	<u>\$669,151</u>	<u>\$4,410,000</u>

Unissued Authorized Bonds

As of February 28, 1990 the County has voter authorization to issue additional unlimited tax bonds in the amount of \$350,000,000.

5. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the County 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 28, 1990 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 employees retirement system that administers a joint contributory, defined contribution pension plan established by state legislation. Under the plan, both the County and employee are required to contribute an amount equal to 7% of the employees' monthly earnings. Eligible employees are required to participate in the plan. The County's contribution for each employee, including interest allocated to the employee's account, are 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 employees' 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 employees' 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 were 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 percent equal to the contribution rate payable by the employee member.

The County's total payroll for fiscal year 1990 was \$257,521,039, of which \$234,566,800 was covered by the plan. Employer and employee contributions for the year were made as required and each totaled \$16,432,843 for the year.

### Funding Status

Although the substance of the plan is not to provide a defined benefit, 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 employees' personal contributions. The County's 7% contribution includes the normal cost of 6.28% to fund the currently accruing monetary credits and 0.72% 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.

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 1990

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6. RETIREMENT PLAN, Continued

Funding Status, Continued

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, 1988. The actuarial valuation as of December 31, 1989 was not available at the time this report was prepared. Market value of assets is not determined as of December 31, 1988 for the County's plan, but the market value of assets for TCDRS as a whole was 99.7% of book value as of December 31, 1988.

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, 1988 includes the following:

Annuitants:	
Currently receiving benefits	\$ 33,965,150
Terminated employees	18,380,265
Members:	
Accumulated employee contributions	
including allocated investment earnings	142,362,770
Employer-financed vested	135,942,769
Employer-financed nonvested	<u>54,967,753</u>
Total	385,618,707
Net Assets Available for Benefits, at Book Value	<u>349,026,096</u>
Unfunded Pension Benefit Obligation	<u><u>\$ 36,592,611</u></u>

The unfunded pension benefit obligation is to be amortized with a level percent of payroll assumed to be 0.72% 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, 1988, the amortization period was 34.26 years.

6. RETIREMENT PLAN, Continued

Funding Status, Continued

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 \$4,453,298.

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 ending December 31, 1986 through December 31, 1988. Trend information prior to 1986 is unavailable.

<u>Plan Year</u>	<u>Net Assets Available for Benefits as a Percentage of Pension Benefit Obligation</u>	<u>Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll</u>	<u>Employer Contribution as a Percentage of Annual Covered Payroll</u>
1986	90%	14%	7%
1987	90%	13%	7%
1988	91%	16%	7%

Post Retirement Benefits

In addition to providing pension benefits, the Toll Road provides certain health care 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 health care and life insurance benefits is recognized when paid. For 1990, these cost 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. Such plan is recorded in an agency fund of the County.

7. DEFERRED COMPENSATION PLAN, Continued

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 PEBSICO 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 participants' 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 \$2,714 from developers and other funds.

9. COMMITMENTS AND CONTINGENCIES

As of February 28, 1990, the Toll Road had committed approximately \$41,000,000 for construction projects.

The Toll Road had operating leases for computer equipment based on a daily charge for the number of days each section of the Toll Road is open during the year. As of February 28, 1990, the Toll Road's obligation for such annual rental payments is estimated as follows:

<u>Fiscal Year</u>	
1991	\$1,414,383
1992	1,497,343
1993	1,497,343
1994	1,497,343
1995	748,672

Rent expense for fiscal year 1990 was \$1,341,788.

9. COMMITMENTS AND CONTINGENCIES, Continued

The Toll Road Project is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome is of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material adverse effect on the financial condition of the Toll Road Project.

10. DEFICIT BALANCES OF FUND EQUITY

The Toll Road has a retained deficit of \$113,424,673 from extraordinary losses on bond refundings of \$38,134,845 and the results of operations of \$90,453,259 accumulated during the development stage.

HARRIS COUNTY, TEXAS  
TOLL ROAD ENTERPRISE FUND  
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS IN OPERATING AND RESTRICTED ACCOUNT:  
UNDER REVENUE BOND ORDINANCES FOR THE YEAR ENDED FEBRUARY 28, 1990

	Construction Fund	Construction Contingency Fund	Revenue Fund
Cash and investments, beginning	\$163,804,509	\$25,967,003	\$ 1,951,289
RECEIPTS:			
Bond proceeds	-	-	-
Operating revenues	-	-	29,119,471
Interest received	10,874,806	2,096,199	294,206
Contributions and customer deposits	-	-	12,138
Reimbursements	2,490,045	-	279
Other receivables	-	-	-
Total Receipts	<u>13,364,851</u>	<u>2,096,199</u>	<u>29,426,094</u>
DISBURSEMENTS:			
Principal on supplemental interest certificates	-	-	-
Principal on remarketed and redeemed bonds	-	-	-
Interest on bonds	-	-	-
Additional funds required for redemption	-	-	-
Accrued interest purchased	-	-	-
Equipment additions	102,074	-	-
Engineering	9,665,023	-	-
Construction	94,993,039	-	-
Right-of-way	3,456,569	-	-
Operations and maintenance	2,220,997	-	-
Administration	2,813,264	-	-
Deferred charges	4,143,719	6,168	90
Total Disbursements	<u>117,394,685</u>	<u>6,168</u>	<u>90</u>
INTERFUND TRANSFERS IN (OUT):			
Construction fund	-	(54,994)	(223,149)
Contingency fund	54,994	-	-
Revenue fund	223,149	-	-
Operations and maintenance	-	-	(3,925,910)
Revenue bond debt service	108,429,271	(1,043,750)	(12,682,235)
Tax bond debt service	(8,259,387)	(2,022,000)	(12,449,613)
Total Transfers In (Out)	<u>100,448,027</u>	<u>(3,120,744)</u>	<u>(29,280,907)</u>
Subtotal	160,222,702	24,936,290	2,096,386
Current year amortization of net (premium) discount on investments	<u>2,088,808</u>	<u>56,768</u>	-
Cash and investments, ending	<u>\$162,311,510</u>	<u>\$24,993,058</u>	<u>\$ 2,096,386</u>

<u>Operations and Maintenance Fund</u>	<u>Revenue Bond Fund</u>	<u>Tax Bond Fund</u>	<u>Surplus Fund</u>	<u>TRA Office Bldg. Fund</u>	<u>Total</u>
\$ 9,059	\$201,992,483	\$ 39,187,249	\$ -	\$256,903	\$433,168,495
-	121,443,644	-	-	-	121,443,644
-	-	-	-	184,065	29,303,536
-	8,356,605	2,960,440	-	30,547	24,612,803
-	-	-	-	-	12,138
38,326	-	-	-	428	2,529,078
19,039	-	-	-	-	19,039
<u>57,365</u>	<u>129,800,249</u>	<u>2,960,440</u>	<u>-</u>	<u>215,040</u>	<u>177,920,238</u>
-	-	1,679,148	-	-	1,679,148
-	123,120,000	-	-	-	123,120,000
-	42,200,909	38,575,443	-	-	80,776,352
-	156,237	-	-	-	156,237
-	1,387,209	64,300	-	-	1,451,509
-	-	-	-	-	102,074
-	-	-	-	-	9,665,023
-	-	-	-	-	94,993,039
-	-	-	-	-	3,456,569
3,884,026	-	-	-	67,855	6,172,878
-	(366)	490	-	-	2,819,646
-	697,436	-	-	-	4,841,155
<u>3,884,026</u>	<u>167,561,425</u>	<u>40,319,381</u>	<u>-</u>	<u>67,855</u>	<u>329,233,630</u>
-	(108,429,271)	8,259,387	-	-	(100,448,027)
-	1,043,750	2,022,000	-	-	3,120,744
3,925,910	12,682,235	12,449,613	-	-	29,280,907
-	-	-	-	-	(3,925,910)
-	-	-	-	-	94,703,286
-	-	-	-	-	(22,731,000)
<u>3,925,910</u>	<u>(94,703,286)</u>	<u>22,731,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
108,308	69,528,021	24,559,308	-	404,088	281,855,103
-	3,883,235	(58,604)	-	-	5,970,207
<u>\$ 108,308</u>	<u>\$ 73,411,256</u>	<u>\$ 24,500,704</u>	<u>\$ -</u>	<u>\$404,088</u>	<u>\$287,825,310</u>