

**Deloitte &
Touche**



**TOLL ROAD ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS**

Financial Statements for the Years Ended February 28,
1991 and 1990 and Supplemental Schedule for the Year
Ended February 28, 1991 and Independent Auditors'
Report

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INDEPENDENT AUDITORS' REPORT

County Judge Jon Lindsay
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 28, 1991 and 1990, the related statements of operations and changes in accumulated deficit for the years then ended and of cash flows for the year ended February 28, 1991. 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. 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 present only the Toll Road Project and are not intended to present the financial position of Harris County, Texas and the results of its operations and the 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 as of February 28, 1991 and 1990, the results of its operations for the years then ended and its cash flows for the year ended February 28, 1991 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 Toll Road Cash Receipts and Disbursements is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is 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.

Deloitte & Touche

May 31, 1991

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
BALANCE SHEETS
FEBRUARY 28, 1991 AND 1990

<u>ASSETS</u>	<u>1991</u>	<u>1990</u>
CURRENT UNRESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	\$ 517,897	\$ 404,080
Accrued interest receivable	2,143	-
Total current unrestricted assets	<u>520,040</u>	<u>404,080</u>
RESTRICTED ASSETS: (Note 3)		
Cash and cash equivalents (Note 2)	4,277,323	41,260,328
Time deposits (Note 2)	6,894,000	-
Investments (Note 2)	215,588,345	246,160,902
Accrued interest receivable	2,813,369	2,150,328
Accounts receivable	1,538,578	25,038
Other	38,985	22,609
Total current restricted assets	<u>231,150,600</u>	<u>289,619,205</u>
PROPERTY:		
Roads, bridges and rights-of-way	816,121,910	569,553,341
Building	2,364,138	1,233,909
Land	366,091	366,091
Equipment	327,790	293,869
Less accumulated depreciation	<u>(49,114,559)</u>	<u>(28,168,389)</u>
Subtotal	770,065,370	543,278,821
Construction work in progress	<u>-</u>	<u>219,734,299</u>
Property, net	<u>770,065,370</u>	<u>763,013,120</u>
DEFERRED CONSTRUCTION COSTS (Note 4)	9,741,679	-
DEFERRED CHARGES, NET OF AMORTIZATION	13,712,206	14,346,928
TOTAL	<u>\$1,025,189,895</u>	<u>\$1,067,383,333</u>

See notes to financial statements.

<u>LIABILITIES AND FUND EQUITY (DEFICIT)</u>	<u>1991</u>	<u>1990</u>
CURRENT LIABILITIES - Payable from unrestricted assets:		
Customer deposits	\$ 4,291	\$ 4,291
Other	3,148	5,350
Total current liabilities - payable from unrestricted assets	<u>7,439</u>	<u>9,641</u>
CURRENT LIABILITIES - Payable from restricted assets (Note 3):		
Vouchers payable	1,261,289	6,923,151
Salaries payable	81,441	43,400
Vacation payable	121,405	97,585
Customer deposits	52,313	12,138
Retainages payable	611,254	5,215,463
Arbitrage rebate payable	116,667	-
Current portion of long-term debt	1,807,196	1,933,653
Current portion of accrued interest payable	4,375,695	4,615,103
Other	575,847	5,262
Total current liabilities - payable from restricted assets	<u>9,003,107</u>	<u>18,845,755</u>
NONCURRENT LIABILITIES:		
Long-term debt (Notes 3 and 5):		
Senior lien revenue bonds (Net of unamortized discount of \$650,229 and \$657,391, respectively)	546,849,771	546,842,609
Tax bonds (Net of unamortized premium of \$15,566,745 and \$13,315,291, respectively)	565,566,745	563,315,291
Supplemental interest certificates	-	1,807,196
Accrued interest payable	37,893,849	28,086,727
Compensatory time payable	15,194	8,364
Total noncurrent liabilities	<u>1,150,325,559</u>	<u>1,140,060,187</u>
Total liabilities	<u>1,159,336,105</u>	<u>1,158,915,583</u>
FUND EQUITY (DEFICIT) (Note 10)		
Contributed capital (Note 8)	21,892,145	21,892,423
Accumulated deficit	<u>(156,038,355)</u>	<u>(113,424,673)</u>
Total fund equity (deficit)	<u>(134,146,210)</u>	<u>(91,532,250)</u>
TOTAL	<u>\$1,025,189,895</u>	<u>\$1,067,383,333</u>

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
STATEMENT OF OPERATIONS AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

	<u>1991</u>	<u>1990</u>
TOLL REVENUES	<u>\$ 47,143,235</u>	<u>\$ 29,119,471</u>
OPERATING EXPENSES:		
Road operations (Note 9)	8,576,775	6,353,884
Depreciation	20,946,170	15,697,258
Administrative	3,393,226	3,078,919
Other	<u>74,627</u>	<u>68,599</u>
Total operating expenses	<u>32,990,798</u>	<u>25,198,660</u>
INCOME FROM OPERATIONS	<u>14,152,437</u>	<u>3,920,811</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	18,246,388	19,242,796
Interest expense (Note 5)	(76,029,077)	(58,712,886)
Gain on sale of investments	964,814	-
Other	<u>51,756</u>	<u>(81,654)</u>
Total nonoperating revenues (expenses)	<u>(56,766,119)</u>	<u>(39,551,744)</u>
Net loss	(42,613,682)	(35,630,933)
Accumulated deficit, beginning of year	<u>(113,424,673)</u>	<u>(77,793,740)</u>
Accumulated deficit, end of year (Note 10)	<u><u>\$(156,038,355)</u></u>	<u><u>\$(113,424,673)</u></u>

See notes to financial statements.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 1991

CASH FLOW FROM OPERATING ACTIVITIES:	
Operating income	\$ 14,152,437
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	20,946,170
Amortization of capitalized bond costs	634,722
Other nonoperating revenues	51,756
Changes in current assets and liabilities:	
Increase in other receivables	(1,513,540)
Increase in other restricted assets	(16,376)
Decrease in current liabilities payable from unrestricted assets	(2,202)
Decrease in current liabilities payable from restricted assets	(9,476,783)
Increase in compensated absences payable	<u>6,830</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>24,783,014</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Construction of capital assets	(17,852,944)
Acquisition of rights-of-way	(8,339,901)
Purchase of equipment	(33,921)
Payment of supplemental interest certificates	(1,933,652)
Interest paid on debt	(78,488,700)
Transfer of contributed capital to property	<u>(278)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(106,649,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(95,607,663)
Proceeds from sale and maturity of investments	127,145,034
Net increase in time deposits	(6,894,000)
Interest received	<u>20,353,823</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>44,997,194</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,869,188)
CASH AND CASH EQUIVALENTS (UNRESTRICTED AND RESTRICTED), BEGINNING	<u>41,664,408</u>
CASH AND CASH EQUIVALENTS (UNRESTRICTED AND RESTRICTED), ENDING	<u>\$ 4,795,220</u>

See notes to financial statements.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Harris County Toll Road Authority (the "Authority") was created by Harris County, Texas ("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 Harris County, and is charged with overseeing the acquisition, construction, improvement, operation and maintenance of the County toll road facilities and services ("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 ("Toll Roads") has been financed with a combination of unlimited tax and subordinate lien revenue bonds and senior lien revenue 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 Toll Road Project opened the final 12.6 mile section of the tollway during fiscal year 1991. The entire tollway was opened and in full operation for the second half of fiscal year 1991.

Basis of Accounting

The Toll Road Enterprise Fund, a Proprietary fund type, is accounted for using the full 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.

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 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.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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 approximately \$9,350,000 in 1991 and \$20,000,000 in 1990.

Depreciation of the road sections, buildings and equipment is computed using the straight-line method. Buildings are depreciated over a 30-year useful life. Equipment is depreciated over an estimated useful life of four to ten years. During fiscal year 1991, the Toll Road Project adopted a 30-year useful life for all road sections. Previously, the useful life was based on the remaining term of the outstanding bonds. The effect of this change is not material.

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)

Premiums (discounts) on bonds payable are amortized using the effective interest method over the term of the bonds. This is a change in method from prior years, in which the straight-line method was used. The County has determined the change is not material and as such, the effect is included in the financial statements for 1991.

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 is administered by Texas Employers' Insurance Association in connection with the County Attorney.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Workers' Compensation and Group Insurance

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, 1991 is \$750,000 per occurrence.

The County Group Health Insurance Internal Service Fund was established in 1989 to account for the County's group health insurance plans. The County offers medical coverage under Sanus/New York Life. Under the agreement, the total remittance due for the contract year ended February 28, 1991 was limited to the monthly premiums payable based on the number of employees enrolled during the year. The County also provides employees with vision and dental benefits. All accruals for estimated claims and incurred but not reported claims have been recorded at February 28, 1991.

Compensated 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, 1991.

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.

Statement of Cash Flows

During fiscal year 1991, the County adopted GASB 9 "Statement of Cash Flows." In previous years, the County prepared a Statement of Changes in Financial Position in accordance with APB 19. For purposes of the new statement, cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to facilitate an understanding of changes in the Toll Road Project's financial position and operations. Certain prior year balances have been reclassified for consistency with current year presentation.

2. CASH AND INVESTMENTS

The carrying amount of the Toll Road Project's deposits were \$6,198,383 and \$12,281,733 at February 28, 1991 and 1990, respectively. The bank balances of \$6,950,881 at February 28, 1991, and \$13,753,097 at February 28, 1990, 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. The Toll Road Project invested in repurchase agreements, U. S. Treasury Bills and U. S. Government Securities during the year. At year-end, the Toll Road Project's investments consist of U. S. Government Securities 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, and (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 28, 1991, \$220,479,169 of the Toll Road Project's investments were included in category (1). At February 28, 1990, \$265,025,637 was included in category (1) and \$10,355,788 in category (2). Uncategorized investments in money market funds were \$600,013 and \$162,152 at February 28, 1991 and 1990, respectively. Year-end carrying amounts and market values of the Toll Road Project's investments follow:

<u>Restricted:</u>	<u>1991</u>		<u>1990</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments -				
Cash Equivalents	\$ 5,490,820	\$ 5,542,898	\$ 29,382,675	\$ 29,310,299
Investments	215,588,345	217,130,302	246,014,528	244,893,054

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

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 year 1991 and 1990, the Toll Road Project was in compliance with these bond covenants.

4. DEFERRED CONSTRUCTION COSTS

Construction of an airport connector, on which a separate toll would be collected, has been deferred. Although a part of the Toll Road Project, the County has no present time frame nor commitment to undertake such construction. The capitalized costs for the project include engineering, design fees and capitalize interest and bond costs.

5. LONG-TERM DEBT

The following is a summary of the bonds payable transactions:

	<u>1991</u>	<u>1990</u>
Balance, beginning of year	\$1,110,157,900	\$1,111,343,494
Issuances	-	122,551,290
Remarketing and redemption	-	(123,220,000)
Premium (discount) amortization	<u>2,258,616</u>	<u>(516,884)</u>
Balance, end of year	<u><u>\$1,112,416,516</u></u>	<u><u>\$1,110,157,900</u></u>

Long-term debt consists of the following:

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><u>547,500,000</u></u>
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HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

5. 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	6,733,211
Unamortized Premium on Series 1988 Unlimited Tax Bonds	8,833,534
Unamortized Discount on Series 1989 Senior Lien Revenue Bonds	<u>(650,229)</u>
Total Bonds Payable	1,112,416,516
Supplemental Interest Certificates Payable	<u>1,807,196</u>
Total Long-Term Debt	<u>\$1,114,223,712</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, 1991	<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 YEARS ENDED FEBRUARY 28, 1991 AND 1990

5. 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 Project. 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.

The Series 1985 A-E Tax Bonds are subject to purchase on the demand of the holder 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 YEARS ENDED FEBRUARY 28, 1991 AND 1990

5. 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, 1991:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$121,875,000</u>	<u>\$371,875,000</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 \$88,056,410 and \$88,975,795 in 1991 and 1990, respectively, of which \$12,027,333 and \$29,951,381, respectively, was capitalized.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

5. LONG-TERM DEBT, Continued

Debt Service Requirements, Continued

The following are the debt service requirements for bonds payable (assuming the most recent TENR of 4.10%):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1992	\$ 2,540,000	\$ 73,781,701	\$ 76,321,701
1993	1,192,690	75,496,936	76,689,626
1994	3,320,431	75,573,670	78,894,101
1995	13,249,681	81,841,899	95,091,580
1996	13,138,666	82,098,900	95,237,566
1997-2001	104,830,681	407,437,242	512,267,923
2002-2006	147,991,063	375,772,062	523,763,125
2007-2011	278,826,884	259,071,142	537,898,026
2012-2016	399,769,904	137,561,132	537,331,036
2017-2022	132,640,000	191,064,490	323,704,490
Total	<u>\$1,097,500,000</u>	<u>\$1,759,699,174</u>	<u>\$2,857,199,174</u>

The Supplemental Interest Certificates will be repaid in fiscal year 1992.

Unissued Authorized Bonds

As of February 28, 1991 the County has voter authorization to issue additional unlimited tax bonds in the amount of \$350,000,000.

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, 1991 and 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 legisla-

6. RETIREMENT PLAN, Continued

Plan Description, Continued

tion. Under the plan, both the County and employees 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, 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 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 percentage equal to the contribution rate payable by the employee member.

The Toll Road Project's total payroll for fiscal year 1991 and 1990 was \$4,793,340 and \$3,581,420, respectively, of which \$4,121,400 and \$3,228,770, respectively, was covered by the plan. As required, employer and employee contributions were made each totaling \$288,498 for fiscal year 1991 and \$226,014 for fiscal year 1990.

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 and employer-financed monetary credits in excess of 100% of the employees' personal contributions. The County's 7% contribution includes the normal cost of 6.86% to fund the currently accruing monetary credits and 0.14% to amortize the unfunded

6. RETIREMENT PLAN, Continued

Funding Status, Continued

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, 1989. The actuarial valuation as of December 31, 1990 was not available at the time this report was prepared. Market value of assets is not determined as of December 31, 1989 for the County's plan, but the market value of assets for TCDRS as a whole was 104.9% of book value as of December 31, 1989.

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, 1989 and 1988 includes the following:

	<u>1989</u>	<u>1988</u>
Annuitants:		
Currently receiving benefits	\$ 36,990,129	\$ 33,965,150
Terminated employees	22,795,818	18,380,265
Members:		
Accumulated employee contributions including allocated investment earnings	160,203,616	142,362,770
Employer-financed vested	163,303,919	135,942,769
Employer-financed nonvested	<u>64,338,259</u>	<u>54,967,753</u>
Total	447,631,741	385,618,707
Net Assets Available for Benefits, at Book Value	<u>398,744,173</u>	<u>349,026,096</u>
Unfunded Pension Benefit Obligation	<u>\$ 48,887,568</u>	<u>\$ 36,592,611</u>

The unfunded pension benefit obligation is to be amortized with a level percentage of payroll assumed to be 0.14% 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). If it is assumed that only 0.14% of payroll is available for amortization each year in the future, then the unfunded pension benefit obligation will not be amortized. Pending legislation will alter the method of allocating interest earnings, and will amortize the unfunded pension benefit obligation over 40 years.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

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 \$12,294,957.

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, 1989. 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	90.00%	14.00%	7%
1987	90.00%	13.00%	7%
1988	90.51%	16.00%	7%
1989	89.08%	19.76%	7%

Post Employment Benefits

In addition to the pension benefits described above, the County provides postretirement health, dental, vision and life insurance to 1,050 qualified retirees. These benefits are fully insured by the present carriers and are fully funded by the County. There was no cost for post retirement benefits during fiscal year 1991 or 1990 to the Toll Road Authority as it has no retirees.

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.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

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 PEBSO 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 ordinarily 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 fiscal year 1991, contributed capital decreased by \$278 as a result of a transfer to general fixed assets. In fiscal year 1990, contributed capital increased by \$2,714 due to developers and other funds.

9. COMMITMENTS AND CONTINGENCIES

The Toll Road is committed under a multi-year lease agreement for toll collecting and accounting equipment, including maintenance. As of February 28, 1991, the Toll Road's obligation for such annual rental payments is estimated as follows:

<u>Fiscal Year</u>	
1992	\$1,467,275
1993	1,467,275
1994	1,467,275
1995	733,638

Rent expense for fiscal year 1991 and 1990 was \$1,370,563 and \$1,341,788, respectively.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 28, 1991 AND 1990

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 of such lawsuits and other claims is 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.

10 DEFICIT BALANCES OF FUND EQUITY

The Toll Road has an accumulated deficit of \$156,038,355 at February 28, 1991. Such deficit resulted from extraordinary losses on bond refundings of \$38,134,845, operating losses and net interest expense of \$68,788,951 which was funded with bond proceeds in accordance with the bond indentures and depreciation expense of \$49,114,559.

11. SUBSEQUENT EVENT

On April 1, 1991, the Toll Road issued \$174,320,000 Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1991 to advance refund a portion of the outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1985-F, to achieve a net present value debt service savings of approximately \$10,411,000.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS UNDER
REVENUE BOND ORDINANCES FOR THE YEAR ENDED FEBRUARY 28, 1991

	Construction Fund	Construction Contingency Fund	Revenue Fund
Cash, cash equivalents, time deposits and investments, beginning	<u>\$162,311,510</u>	<u>\$24,993,057</u>	<u>\$ 2,096,386</u>
RECEIPTS:			
Customer deposits	-	-	32,574
Operating revenues	-	-	46,354,067
Interest received	10,749,715	2,226,715	174,012
Reimbursements	7,854	-	7,997
Other receivables	850	-	4,143
Gain or (loss) on sale of investments	268,321	10,392	-
Total Receipts	<u>11,026,740</u>	<u>2,237,107</u>	<u>46,572,793</u>
DISBURSEMENTS:			
Interest payments	-	-	-
Principal payments	-	-	-
Accrued investment interest purchased	-	-	-
Construction Costs	25,051,305	-	-
Engineering Costs	3,252,215	-	-
Right of Way	8,399,901	-	-
Equipment Additions	33,921	-	-
Operations and Maintenance	1,674,051	-	-
Administration	3,063,222	-	107
Total Disbursements	<u>41,474,615</u>	<u>-</u>	<u>107</u>
INTERFUND TRANSFERS IN (OUT):			
Construction fund	-	(940,277)	(31,573)
Revenue fund	31,573	-	-
Operations and maintenance fund	(26,000)	-	(6,682,635)
Tax bond debt service fund	(12,046,724)	-	(36,296,290)
Tax bond debt reserve	1,719,576	-	-
Revenue bond debt service fund	(21,703,703)	(204,781)	(4,166,797)
Revenue bond debt reserve	2,469,590	-	(3,170)
Construction contingency fund	940,277	-	-
Surplus fund	5	-	-
Total Transfers	<u>(28,615,406)</u>	<u>(1,145,058)</u>	<u>(47,180,465)</u>
Amortization	<u>(536,204)</u>	<u>(203,616)</u>	<u>-</u>
Cash, cash equivalents, time deposits and investments, ending	<u>\$102,712,025</u>	<u>\$25,881,490</u>	<u>\$ 1,488,607</u>

Operations and Maintenance Fund	Revenue Bond Debt Service Fund	Revenue Bond Debt Service Reserve	Tax Bond Debt Service Fund	Tax Bond Debt Service Reserve	Surplus Fund	TRA Office Building Fund	Total
\$ 108,308	\$73,411,256	\$ -	\$24,500,713	\$ -	\$ -	\$404,080	\$287,825,310
-	-	-	-	-	-	-	32,574
-	-	-	-	-	-	159,181	46,513,248
-	3,199,478	3,782,381	849,719	1,518,818	128,061	32,656	22,661,555
51,194	-	-	-	-	-	-	67,045
505	-	-	-	-	-	-	5,498
-	-	87,838	635,245	(36,982)	-	-	964,814
51,699	3,199,478	3,870,219	1,484,964	1,481,836	128,061	191,837	70,244,734
-	41,189,251	-	37,299,449	-	-	-	78,488,700
-	-	-	1,933,652	-	-	-	1,933,652
-	1,019,873	-	42,111	1	-	-	1,061,985
-	-	-	-	-	-	-	25,051,305
-	-	-	-	-	-	-	3,252,215
-	-	-	-	-	-	-	8,399,901
-	-	-	-	-	-	-	33,921
6,469,031	-	-	-	-	-	46,485	8,189,567
(1,053)	3,424	767	153,796	355	-	31,535	3,252,153
6,467,978	42,212,548	767	39,429,008	356	-	78,020	129,663,399
26,000	21,703,703	(2,469,590)	12,046,724	(1,719,576)	(5)	-	28,615,406
6,682,635	4,166,797	3,170	36,296,290	-	-	-	47,180,465
-	-	-	-	-	-	-	(6,708,635)
-	-	-	-	20,505,502	8,441,558	-	(19,395,954)
-	-	-	(20,505,502)	-	(100)	-	(18,786,026)
-	-	56,507,046	-	-	387,351	-	30,819,116
-	(56,507,046)	-	-	-	-	-	(54,040,626)
-	204,781	-	-	-	-	-	1,145,058
-	(387,351)	-	(8,441,558)	100	-	-	(8,828,804)
6,708,635	(30,819,116)	54,040,626	19,395,954	18,786,026	8,828,804	-	-
-	(124,823)	(198,945)	(21,065)	(44,427)	-	-	(1,129,080)
\$ 400,664	\$ 3,454,247	\$57,711,133	\$ 5,931,558	\$20,223,079	\$8,956,865	\$517,897	\$227,277,565