

**Deloitte &
Touche**



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

**Financial Statements and Supplemental
Schedule as of February 29, 1992 and for
the Year Then Ended and Independent
Auditors' Report**



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 29, 1992 and February 28, 1991, the related statements of operations and changes in accumulated deficit and 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. 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 29, 1992 and February 28, 1991, 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. 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 29, 1992

**Deloitte Touche
Tohmatsu
International**

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
BALANCE SHEETS
FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

<u>ASSETS</u>	<u>1992</u>	<u>1991</u>
CURRENT UNRESTRICTED ASSETS:		
Cash and cash equivalents (Note 2)	\$667,144	\$517,897
Accrued interest receivable	-	2,143
Total current unrestricted assets	667,144	520,040
RESTRICTED ASSETS: (Note 3)		
Cash and cash equivalents (Note 2)	3,370,500	4,277,323
Investments (Note 2)	215,018,534	222,482,345
Accrued interest receivable	3,141,787	2,813,369
Accounts receivable	1,586,872	1,538,578
Bond proceeds receivable (Note 5)	466,445,849	-
Prepaid interest payable (Note 5)	5,057,876	-
Other	11,089	38,985
Total current restricted assets	694,632,507	231,150,600
PROPERTY:		
Roads, bridges and rights-of-way	819,357,287	816,121,910
Building	2,364,138	2,364,138
Land	366,091	366,091
Equipment	497,372	327,790
Less accumulated depreciation	(72,822,669)	(49,114,559)
Property, net	749,762,219	770,065,370
DEFERRED CONSTRUCTION COSTS (Note 4)	10,113,169	9,741,679
DEFERRED CHARGES, NET OF AMORTIZATION	22,500,163	13,712,206
 TOTAL ASSETS	 <u>\$1,477,675,202</u>	 <u>\$1,025,189,895</u>

See notes to financial statements.

LIABILITIES AND FUND DEFICIT

	<u>1992</u>	<u>1991</u>
CURRENT LIABILITIES - Payable from unrestricted assets:		
Customer deposits	\$4,291	\$4,291
Other	3,550	3,148
Total current liabilities - payable from unrestricted assets	<u>7,841</u>	<u>7,439</u>
CURRENT LIABILITIES - Payable from restricted assets (Note 3):		
Due to escrow agent (Note 5)	506,445,849	-
Vouchers payable and accrued liabilities	2,137,959	1,261,289
Current portion of long-term debt	1,192,690	1,807,196
Current portion of accrued interest payable	504,365	4,375,695
Salaries payable	99,311	81,441
Vacation payable	151,946	121,405
Customer deposits	94,883	52,313
Retainages payable	-	611,254
Arbitrage rebate payable	453,550	116,667
Other	349,800	575,847
Total current liabilities - payable from restricted assets	<u>511,430,353</u>	<u>9,003,107</u>
NONCURRENT LIABILITIES:		
Long-term debt (Notes 3 and 5):		
Senior lien revenue bonds (Net of unamortized discounts of \$11,208,754 and \$650,229, respectively)	570,626,246	546,849,771
Tax bonds (Net of unamortized premiums of \$65,747,794 and \$15,566,745, respectively)	604,866,095	565,566,745
Accrued interest payable (Note 5)	38,130,306	37,893,849
Compensatory time payable	19,149	15,194
Total noncurrent liabilities	<u>1,213,641,796</u>	<u>1,150,325,559</u>
Total liabilities	<u>1,725,079,990</u>	<u>1,159,336,105</u>
FUND DEFICIT		
Contributed capital (Note 8)	22,118,191	21,892,145
Accumulated deficit (Note 10)	(269,522,979)	(156,038,355)
Total fund deficit	<u>(247,404,788)</u>	<u>(134,146,210)</u>
TOTAL LIABILITIES AND FUND DEFICIT	<u>\$1,477,675,202</u>	<u>\$1,025,189,895</u>

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
STATEMENTS OF OPERATIONS AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

	<u>1992</u>	<u>1991</u>
TOLL REVENUES	\$61,298,322	\$47,143,235
OPERATING EXPENSES:		
Road operations (Note 9)	9,769,703	8,576,775
Depreciation	23,708,947	20,946,170
Administrative	3,825,286	3,393,226
Other	66,252	74,627
Total operating expenses	<u>37,370,188</u>	<u>32,990,798</u>
INCOME FROM OPERATIONS	<u>23,928,134</u>	<u>14,152,437</u>
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	17,207,405	18,246,388
Interest expense (Note 5)	(80,098,097)	(76,029,077)
Gain on sale of investments	83,491	964,814
Other	(854,490)	51,756
Total nonoperating revenues (expenses)	<u>(63,661,691)</u>	<u>(56,766,119)</u>
Loss before extraordinary item	(39,733,557)	(42,613,682)
Extraordinary loss on refunding of debt (Note 5)	<u>(73,751,067)</u>	<u>-</u>
Net loss	(113,484,624)	(42,613,682)
Accumulated deficit, beginning of year	<u>(156,038,355)</u>	<u>(113,424,673)</u>
Accumulated deficit, end of year (Note 10)	<u><u>(\$269,522,979)</u></u>	<u><u>(\$156,038,355)</u></u>

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND
FEBRUARY 28, 1991**

	<u>1992</u>	<u>1991</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$23,928,134	\$14,152,437
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,708,947	20,946,170
Amortization of deferred charges	750,891	634,722
Other nonoperating revenues	(854,490)	51,756
Changes in current assets and liabilities:		
Increase in other receivables	(48,294)	(1,513,540)
Decrease (increase) in other restricted assets	27,896	(16,376)
Increase (decrease) in current liabilities payable from unrestricted assets	402	(2,202)
Increase (decrease) in current liabilities payable from restricted assets	130,350	(9,476,783)
Increase in compensatory time payable	3,955	6,830
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>47,647,791</u>	<u>24,783,014</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bond refunding	206,577,665	-
Escrow deposit for refunded bonds	(203,017,650)	-
Issuance costs	(2,719,011)	-
Construction of capital assets	(985,680)	(17,852,944)
Acquisition of rights-of-way	(2,267,620)	(8,339,901)
Purchase of equipment	(76,984)	(33,921)
Principal paid on bonds	(2,540,000)	-
Payment of supplemental interest certificates	(1,807,196)	(1,933,652)
Interest paid on debt	(67,582,774)	(78,488,700)
Contributed capital	226,046	(278)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(74,193,204)</u>	<u>(106,649,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(164,683,678)	(95,607,663)
Proceeds from sale and maturity of investments	172,147,489	119,286,220
Loans to General Fund (Note 11)	(37,000,000)	-
Proceeds from loans to General Fund (Note 11)	37,000,000	-
Gain on investments	83,491	964,814
Interest received	18,240,535	20,353,823
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>25,787,837</u>	<u>44,997,194</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(757,576)</u>	<u>(36,869,188)</u>
CASH AND CASH EQUIVALENTS (UNRESTRICTED AND RESTRICTED), BEGINNING	<u>4,795,220</u>	<u>41,664,408</u>
CASH AND CASH EQUIVALENTS (UNRESTRICTED AND RESTRICTED), ENDING	<u>\$4,037,644</u>	<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 29, 1992 AND FEBRUARY 28, 1991**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Harris County Toll Road Authority (the "*Authority*") was created by Harris County, Texas, (the "*County*") by order of 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 (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 (the "*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 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 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.

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

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

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 \$360,530 in 1992 and \$9,350,000 in 1991.

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.

DEFERRED CHARGES

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

PREMIUMS (DISCOUNTS) ON BONDS PAYABLE

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

RISK MANAGEMENT

The 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. This program is accounted for in an internal service fund. Claims processing is 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 29, 1992 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 29, 1992 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

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

but not reported claims have been recorded at February 29, 1992 in the County's internal service funds.

The Toll Road Authority has property, plant and equipment insurance coverage with various carriers. Claims made up to the deductible limit are expensed when paid.

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, no liability has been recorded.

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. A liability for vacation earned, but not taken, has been recorded.

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

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.

Reclassification

Certain amounts for fiscal year 1991 have been reclassified in the financial statements to facilitate financial analysis.

2. CASH AND INVESTMENTS

The carrying amount of the Toll Road Project's deposits were \$467,228 and \$6,198,383 at February 29, 1992 and February 28, 1991, respectively. The bank balances of \$979,649

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

at February 29, 1992 and \$6,950,881 at February 28, 1991 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 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 29, 1992, \$214,732,534 of the Toll Road Project's investments were included in category (1). Year-end carrying amounts and market values of the Toll Road Project's investments are as follows:

	1992		1991	
	Carrying Amount	Market Value	Carrying Amount	Market Value
<u>Restricted:</u>				
Cash equivalents	\$ -	\$ -	\$ 4,890,807	\$ 4,942,885
Investments	214,732,534	219,444,758	215,588,345	217,130,302
Money market mutual funds	3,856,416	3,856,416	600,013	600,013

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 1992 and 1991, the Toll Road Project was in compliance with these covenants.

4. DEFERRED CONSTRUCTION COSTS

Construction of the airport connector, on which a separate additional toll would be collected, is proposed in the capital budget for fiscal year 1993. Neither the County nor the City of Houston has 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.

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

5. LONG-TERM DEBT

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. The following is a summary of the Toll Road bonds payable transactions:

	Balance, March 1, 1991	Increases	Payments/ Refundings	Balance, February 29, 1992
Senior Lien Revenue Bonds	\$ 547,500,000	\$388,105,000	\$353,770,000	\$ 581,835,000
Tax Bonds	550,000,000	246,135,000	255,824,009	540,310,991
Supplemental Interest Certificates Payable	1,807,196	-	1,807,196	-
Premiums (Discounts), net	<u>14,916,516</u>	<u>39,622,524</u>	<u>-</u>	<u>54,539,040</u>
Total Long-Term Debt	<u>\$1,114,223,712</u>	<u>\$673,862,524</u>	<u>\$611,401,205</u>	<u>\$1,176,685,031</u>

Long-term debt at February 29, 1992 consists of the following:

**Toll Road Senior Lien Revenue Bonds
("Senior Lien Revenue Bonds"):**

Series 1985-A, interest at 6.5%-7.3% payable semiannually; mandatory redemption 1996-2007	\$ 28,355,000
Series 1985-B, interest at 7.25%-8.3% payable semiannually; mandatory redemption 1996-2002	11,080,000
Series 1985-C, interest at 6.9%-7.75% payable semiannually; mandatory redemption 1996-2002	12,035,000
Series 1985-D, interest at 7.3%-8.1% payable semiannually; mandatory redemption 1996-2002	10,610,000
Refunding Series 1987, interest at 7.25%-8.3% payable semiannually; mandatory redemption 1996-2002	8,430,000
Series 1985-F, interest at 6.5%-7.1% payable semiannually; mandatory redemption 1996-2017	60,725,000
Series 1989, interest at 6.5%-7.1% payable semiannually; mandatory redemption 2003-2017	62,495,000
Series 1992-A, interest at 5.7%-6.65% payable semiannually; mandatory redemption 1999-2017	327,150,000
Series 1992-B, interest at 5.7%-6.65% payable semiannually; mandatory redemption 1999-2017	<u>60,955,000</u>
Total Senior Lien Revenue Bonds	<u>581,835,000</u>

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

Unlimited Tax and Subordinate Lien Revenue Bonds	
("Tax Bonds"):	
Series 1984 (portions refunded in 1985 and 1992)	\$ 8,648,685
Series 1985 (portions refunded in 1988 and 1992)	3,192,306
Series 1985 A-E, interest at TENR payable quarterly, adjustable and subject to a maximum; optional redemption allowable, mandatory redemp- tion 1994-2014, matures 2015	250,000,000
Refunding Bonds, Series 1985-F (a portion refunded in 1991)	9,370,000
Refunding Bonds, Series 1988 (a portion refunded in 1992)	22,965,000
Refunding Bonds, Series 1991	174,320,000
Refunding Bonds, Series 1992-A and B	<u>71,815,000</u>
Total Tax Bonds	<u>540,310,991</u>
Total Bonds Payable principal	<u>1,122,145,991</u>
Unamortized Premium, Series 1985-F Tax Bonds	6,422,052
Unamortized Premium, Series 1988 Tax Bonds	9,168,792
Unamortized Discount, Series 1989 Senior Lien Revenue Bonds	(637,438)
Unamortized Premium, net Series 1991 Tax Bonds	33,059,785
Unamortized Discount, Series 1992 Senior Lien Revenue Bonds	(10,571,316)
Unamortized Premium, net Series 1992 Tax Bonds	<u>17,097,165</u>
Unamortized Premium (Discount), net	<u>54,539,040</u>
Total Long-term Debt	1,176,685,031
Less current portion	<u>1,192,690</u>
Long-term Debt, net	<u>\$1,175,492,341</u>

The Series 1989 Senior Lien Revenue Bonds include \$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.

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

Terms of the Series 1984, 1985, 1985-F, 1988, 1991 and 1992 Tax Bonds are as follows:

	Series 1984	Series 1985	Series 1985-F	Series 1988	Series 1991	Series 1992
Compound interest bonds	\$8,648,685	\$3,192,306	\$9,370,000	\$ 5,635,000	\$ 6,095,000	\$16,920,000
Current interest bonds	-	-	-	17,330,000	168,225,000	54,895,000
Balance, February 29, 1992	<u>\$8,648,685</u>	<u>\$3,192,306</u>	<u>\$9,370,000</u>	<u>\$22,965,000</u>	<u>\$174,320,000</u>	<u>\$71,815,000</u>
Compound interest bonds, interest payable upon maturity:						
Total payments through maturity	\$24,101,315	\$10,802,694	\$41,830,000	\$60,085,766	\$109,205,001	\$60,855,000
Interest rates	9.75%- 10.25%	9.15%- 10%	13.582%- 13.596%	13.83%- 21.807%	6.95%- 7.25%	5.8%- 6.8%
Maturity dates	1996-2000	1996-2004	1992-2003	2000-2012	2001-2008	1997-2008
Current interest rate bonds, interest payable semiannually:						
Interest rates				6.4%- 7.30%	5.85%- 6.75%	6.5%
Maturity dates				1994-1999	1995-2014	2010-2016
Early redemption begins				1998 or interest dates thereafter	2001 or interest dates thereafter	2002 or interest dates thereafter

The Senior Lien Revenue Bonds are payable from the revenues of the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and 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 Series 1985 A-E Tax Bonds are subject to purchase on the demand of the holder, at any time prior to the conversion from TENR, 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 29, 1992 AND FEBRUARY 28, 1991

The terms of the standby agreement require the County to redeem the purchased bonds upon the expiration or termination (by events of default) of the standby agreement. The scheduled expiration date of the standby agreement is June 1, 1995. The fee for the standby agreement included an initial payment of \$156,250 with an additional commission of 0.15% per annum paid quarterly on the outstanding principal balance. The following is the debt service requirements of the Series 1985A-E Bonds assuming the expiration of the standby agreement, the ceiling interest rate of 15% and that the standby bank has purchased all of the demand bonds as of February 29, 1992:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$84,375,000</u>	<u>\$334,375,000</u>

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 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 semiannual installments of principal and interest based on the purchased bond rate. To date, the County has never defaulted on any of its bonded debt obligations.

REFUNDINGS

In April 1991, the County issued \$174,320,000 of Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1991, to refund \$174,320,000 of outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1985-F. The County refunded these bonds in order to achieve debt service savings. The proceeds of the refunding bonds, Series 1991, were used to purchase U.S. government securities and were placed in an escrow fund, pledged to pay the principal and interest of the refunded bonds. Although, this refunding resulted in an extraordinary loss of \$26,134,439, there was a decrease of debt service requirements of \$966,266 and an economic gain of \$9,698,654.

On February 15, 1992, the County sold \$388,105,000 of Toll Road Senior Lien Revenue Refunding Bonds and \$71,815,000 of Toll Road Unlimited Tax and Subordinate Lien

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

Revenue Refunding Bonds, Series 1992-A and B, to refund portions of various issues, as shown below, of outstanding Tax Bonds and Senior Lien Revenue Bonds. These bonds will be delivered in March 1992 and all transactions concerning these refundings were recorded in the accompanying financial statements. The proceeds of the refunding bonds Series 1992 and \$40,000,000 from the construction fund will be used to purchase U.S. government securities and will be placed in an escrow fund, pledged to pay the principal and interest of the refunded bonds. Although, these refundings resulted in extraordinary losses of \$46,301,080 and \$1,315,548, respectively, there was an increase (decrease) of debt service requirements of \$(54,285,571) and \$29,637,160, respectively, and economic gains of \$15,452,442 and \$2,519,143, respectively.

The bonds refunded were as follows:

<u>Refunding Issues</u>	<u>Refunded Series</u>	<u>Refunded Amount</u>
Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1991	1985-F	<u>\$174,320,000</u>
Senior Lien Revenue Refunding Bonds, Series 1992 A and B	1985*	\$ 7,120,656
	1985-A	68,805,000
	1985-B	74,860,000
	1985-C	81,370,000
	1985-D	71,740,000
	1987	<u>56,995,000</u>
		<u>\$360,890,656</u>
Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1992 A and B	1984	\$ 5,121,314
	1985	3,992,038
	1988	<u>62,730,000</u>
		<u>\$ 71,843,352</u>

*Unlimited Tax and Subordinate Lien Revenue Bonds

DEBT SERVICE REQUIREMENTS

Total interest expense was \$80,495,415 and \$88,056,410 in 1992 and 1991, respectively, of which \$397,318 and \$12,027,333, respectively, was capitalized.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

The following are the debt service requirements for bonds payable (assuming the most recent TENR of 2.375% and a \$5,057,876 prepayment of interest for fiscal year 1993 on the Tax Bonds, Series 1992-A and B):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1993	\$ 1,192,690	\$ 55,883,958	\$ 57,076,648
1994	1,045,431	61,089,094	62,134,525
1995	8,436,509	61,080,014	69,516,523
1996	14,893,484	60,727,903	75,621,387
1997	26,233,050	67,288,924	93,521,974
1998-2001	118,634,047	259,175,949	377,809,996
2002-2006	145,083,990	368,219,403	513,303,393
2007-2011	247,531,884	295,270,806	542,802,690
2012-2016	428,364,906	116,416,664	544,781,570
2017-2022	<u>130,730,000</u>	<u>189,436,830</u>	<u>320,166,830</u>
Total	<u>\$1,122,145,991</u>	<u>\$1,534,589,545</u>	<u>\$2,656,735,536</u>

UNISSUED AUTHORIZED BONDS

As of February 29, 1992, the County has voter authorization to issue additional unlimited tax bonds on the Toll Road Project in the amount of \$350,000,000.

DEFEASANCE OF DEBT

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, 1992 and February 28, 1991, the outstanding principal balance of these defeased bonds was \$878,979,008 and \$271,925,000, respectively.

6. RETIREMENT PLAN

PLAN DESCRIPTION

All officials and permanent employees (the "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 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

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

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 years 1992 and 1991 was \$5,259,758 and \$4,793,340, respectively, of which \$4,620,043 and \$4,121,400, respectively, was covered by the plan. As required, employer and employee contributions were made each totaling \$323,404 for fiscal year 1992 and \$288,498 for fiscal year 1991.

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 5.35% to fund the currently accruing monetary credits while the remaining portion 1.65%, is available to amortize any pension benefit obligation which may arise in the future. 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 funded 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 YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

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 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, 1990. The actuarial valuation as of December 31, 1991 was not available at the time this report was prepared. Market value of assets is not determined as of December 31, 1990 for the County's plan, but the market value of assets for TCDRS as a whole was 104.1% of the book value as of December 31, 1990.

The pension benefit obligation and the unfunded pension benefit obligation for the Harris County reporting entity (which include both the Harris County and Harris County Flood Control District legal entities) at December 31, 1990 and 1989, respectively, includes the following:

	<u>December 31</u>	
	<u>1990</u>	<u>1989</u>
Pension Benefit Obligation:		
Annuitants:		
Currently receiving benefits	\$ 41,940,353	\$ 36,990,129
Terminated employees	28,723,965	22,795,818
Members:		
Accumulated employee contributions including allocated investment earnings	176,256,810	160,203,616
Employer-financed vested	150,256,354	163,303,919
Employer-financed nonvested	<u>45,659,738</u>	<u>64,338,259</u>
Total	442,837,220	447,631,741
Net Assets Available for Benefits, at book value	<u>451,457,946</u>	<u>398,744,173</u>
Net Assets in Excess of Pension Benefit Obligation and Unfunded Pension Benefit Obligation, respectively	<u>\$ 8,620,726</u>	<u>\$(48,887,568)</u>

The funded ratio, the portion of the pension benefit obligation that is fully funded, is 101.9% for the County. A funded ratio of 100% or more indicates that the pension benefit obligation is fully funded and the plan has no amortization period. The pension benefit obligation amounts shown above reflect a change in the method used to allocate interest

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

for the actuary study performed as of December 31, 1990. Due to changes in state statute, the annual rate for accumulating employee current service credit and multiple matching credit decreased from 9% to 7%. This change had the net effect of decreasing the pension benefit obligation by \$57,508,294.

The rate available to amortize any 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).

TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information is available in a separately issued TCDRS report. The following schedule illustrates the trend information for plan years ended December 31, 1988 through December 31, 1990:

<u>Plan Year</u>	<u>Net Assets Available for Benefits as a Percentage of Pension Benefit Obligation</u>	<u>Unfunded (Assets in Excess of) Pension Benefit Obligation as a Percentage of Covered Payroll</u>	<u>Employer Contributions as a Percentage of Annual Covered Payroll</u>
1988	91.0%	16.00%	7%
1989	89.1%	19.76%	7%
1990	101.9%	(3.12%)	7%

POST EMPLOYMENT BENEFITS

In addition to providing the pension benefits described herein, the County provides certain post employment health care and life insurance benefits for retired employees. In accordance with the Personnel Regulations adopted by Commissioners Court, all County employees may become eligible for these benefits after 12 years of service with the County and upon reaching age 60, or after 30 years of service. The County pays 100% of the cost of medical plan and life insurance coverage for retirees. There were no post employment benefits paid during fiscal year 1992 or 1991 to the Toll Road Authority as it has no retirees.

HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991

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 an unforeseeable emergency. Such plan is recorded in an agency fund of the County.

The County funds all amounts of compensation deferred under the plan through investments in fixed and variable rate annuity contracts underwritten by Aetna Casualty and Life Insurance Company and PEBSCO Securities Corporation. Such investments and all related earnings thereon are solely the property of the County, subject to the claims of its general creditors. Participants' rights under the plan are considered those of a general creditor and are equal to the fair market value of the 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 1992, contributed capital increased by \$226,046 due to reimbursement from the County for the Henry Road Vehicle Maintenance Facility. In fiscal year 1991, contributed capital decreased by \$278 as a result of a transfer to general fixed assets.

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, 1992, the Toll Road's obligation for such annual rental payments is estimated as follows:

<u>Fiscal Year</u>	
1993	\$1,539,376
1994	1,539,376
1995	769,688

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED FEBRUARY 29, 1992 AND FEBRUARY 28, 1991**

Rent expense for fiscal year 1992 and 1991 was \$1,424,743 and \$1,370,563, 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.

10. DEFICIT BALANCES OF FUND EQUITY

The Toll Road has an accumulated deficit of \$269,522,979 at February 29, 1992. Such deficit resulted from extraordinary losses on bond refundings of \$111,885,912, initial operating losses and net interest expense of \$84,813,561, which was funded with bond proceeds in accordance with the bond indentures, and depreciation expense of \$72,823,506.

11. INTER-FUND LOANS

During the year the Toll Road loaned \$37,000,000 to the General Fund for approximately three months. Interest revenue received for the loans was \$798,934.

**HARRIS COUNTY, TEXAS
TOLL ROAD ENTERPRISE FUND
SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS UNDER
BOND ORDINANCES FOR THE YEAR ENDED FEBRUARY 29, 1992**

	<u>Capital Projects</u>	<u>Special Contingency</u>	<u>Revenue</u>	<u>Operations and Maintenance</u>
CASH, CASH EQUIVALENTS AND INVESTMENTS, BEGINNING	<u>\$102,712,025</u>	<u>\$25,881,490</u>	<u>\$1,488,607</u>	<u>\$400,664</u>
RECEIPTS:				
Customer deposits	-	-	27,385	-
Operating revenues	-	-	62,091,242	-
Interest received	7,968,739	1,431,693	357,538	-
Reimbursements	148,444	-	5,836	98,781
Other receivables	226,046	-	-	-
Gain or (loss)	83,492	-	-	-
Proceeds from bond refunding	400,927	-	-	-
Total Receipts	<u>8,827,648</u>	<u>1,431,693</u>	<u>62,482,001</u>	<u>98,781</u>
DISBURSEMENTS:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Proceeds from bond refunding	-	-	-	-
Construction costs	1,673,556	-	-	-
Engineering costs	1,340,163	-	-	43,819
Right of way	1,028,447	-	-	-
Equipment additions	24,289	-	-	52,695
Operations and maintenance	739,467	-	-	9,093,107
Administration	1,317,767	-	1,574	1,511,060
Total Disbursements	<u>6,123,689</u>	<u>-</u>	<u>1,574</u>	<u>10,700,681</u>
INTERFUND TRANSFERS IN (OUT):				
Construction fund	-	(12,346)	(138,203)	35,250
Revenue fund	138,203	-	-	10,792,154
Operations and maintenance fund	(35,250)	-	(10,792,154)	-
Tax bond debt service	(1,817,843)	(455,755)	(23,608,728)	-
Tax bond debt reserve	1,817,843	-	-	-
Revenue bond debt service fund	(6,979,179)	(1,362,421)	(26,358,076)	-
Revenue bond debt reserve	5,187,829	-	-	-
Special contingency fund	12,346	-	-	-
Surplus fund	17,903	-	-	-
Total Transfers	<u>(1,658,148)</u>	<u>(1,830,522)</u>	<u>(60,897,161)</u>	<u>10,827,404</u>
Amortization	(358,398)	(308,187)	311	-
CASH, CASH EQUIVALENTS AND INVESTMENTS, ENDING	<u>\$103,399,438</u>	<u>\$25,174,474</u>	<u>\$3,072,184</u>	<u>\$626,168</u>

Debt Service Bonds

<u>Tax Bond</u>	<u>Tax Bond Reserve</u>	<u>Revenue Bond</u>	<u>Revenue Bond Reserve</u>	<u>Office Building</u>	<u>Surplus</u>	<u>Total</u>
\$5,931,558	\$20,223,079	\$3,454,247	\$57,711,133	\$517,897	\$8,956,865	\$227,277,565
-	-	-	-	-	-	27,385
-	-	-	-	184,262	-	62,275,504
609,648	1,817,826	571,605	5,199,066	30,835	253,586	18,240,536
-	-	-	-	-	-	253,061
70,278	-	-	-	-	-	296,324
-	-	-	-	-	-	83,492
206,176,738	-	-	-	-	-	206,577,665
<u>206,856,664</u>	<u>1,817,826</u>	<u>571,605</u>	<u>5,199,066</u>	<u>215,097</u>	<u>253,586</u>	<u>287,753,967</u>
4,347,196	-	-	-	-	-	4,347,196
26,393,523	-	41,189,251	-	-	-	67,582,774
205,464,427	-	-	-	-	-	205,464,427
-	-	-	-	-	-	1,673,556
-	-	-	-	-	-	1,383,982
-	-	-	-	-	-	1,028,447
-	-	-	-	-	-	76,984
-	-	-	-	60,093	-	9,892,667
701,876	200	6,822	1,493	5,756	-	3,546,548
<u>236,907,022</u>	<u>200</u>	<u>41,196,073</u>	<u>1,493</u>	<u>65,849</u>	<u>-</u>	<u>294,996,581</u>
1,817,843	(1,817,843)	6,979,179	(5,187,829)	-	(17,903)	1,658,148
23,608,728	-	26,358,076	-	-	-	60,897,161
-	-	-	-	-	-	(10,827,404)
-	-	-	-	-	(3,180,682)	(29,063,008)
-	-	-	-	-	-	1,817,843
-	-	-	-	-	(6,011,866)	(40,711,542)
-	-	-	-	-	-	5,187,829
455,755	-	1,362,421	-	-	-	1,830,522
3,180,682	-	6,011,866	-	-	-	9,210,451
<u>29,063,008</u>	<u>(1,817,843)</u>	<u>40,711,542</u>	<u>(5,187,829)</u>	<u>-</u>	<u>(9,210,451)</u>	<u>-</u>
<u>(64,913)</u>	<u>(43,561)</u>	<u>(3,953)</u>	<u>(200,072)</u>	<u>-</u>	<u>-</u>	<u>(978,773)</u>
<u>\$4,879,295</u>	<u>\$20,179,301</u>	<u>\$3,537,368</u>	<u>\$57,520,805</u>	<u>\$667,145</u>	<u>-</u>	<u>\$219,056,178</u>