

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

Financial Statements as of
December 31, 1983 and for the Period
from September 13, 1983 (Date of
Inception) to December 31, 1983 and
Auditors' Opinion

AUDITORS' OPINION

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

We have examined the balance sheet of the Toll Road Enterprise Fund of Harris County, Texas as of December 31, 1983 and the statements of income and retained earnings and of changes in financial position for the period from September 13, 1983 (date of inception) to December 31, 1983. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Toll Road Enterprise Fund of Harris County, Texas at December 31, 1983 and the results of its operations and the changes in its financial position for the period then ended, in conformity with generally accepted accounting principles.

Deloitte Haskins + Sells

March 30, 1984

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

BALANCE SHEET, DECEMBER 31, 1983

ASSETS

NOTES

CURRENT RESTRICTED ASSETS:

2

Cash	\$	9,664
Equity in pooled cash and investments		36,703,719
Securities		13,134,670
Accrued interest receivable		234,919
Total current restricted assets		<u>50,082,972</u>

CONSTRUCTION WORK IN PROGRESS

551,132

DEFERRED EXPENSES

225,000

TOTAL

\$50,859,104

LIABILITIES AND RETAINED EARNINGS

CURRENT LIABILITIES (Payable from restricted assets):

Vouchers payable	\$	464,684
Interest payable		367,014
Total current liabilities (payable from restricted assets)		<u>831,698</u>

BONDS PAYABLE

3

Total liabilities		<u>50,000,000</u>
		<u>50,831,698</u>

RETAINED EARNINGS

27,406

TOTAL

\$50,859,104

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD FROM SEPTEMBER 13, 1983
(Date of Inception) TO DECEMBER 31, 1983

INTEREST INCOME	\$ 394,420
INTEREST EXPENSE	<u>(367,014)</u>
NET INCOME AND RETAINED EARNINGS	<u>\$ 27,406</u>

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE PERIOD FROM SEPTEMBER 13, 1983
(Date of Inception) TO DECEMBER 31, 1983

SOURCES OF CASH:

Net income	\$ 27,406
Proceeds from bond sale	49,775,000
Increase in vouchers and interest payable	831,698
Total	<u>50,634,104</u>

USES OF CASH:

Increase in restricted cash and investments:	
Cash	9,664
Equity in pooled cash and investments	36,703,719
Securities	13,134,670
Accrued interest receivable	234,919
Additions to construction work in progress	551,132
Total	<u>50,634,104</u>

UNRESTRICTED CASH - December 31

\$ NONE

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM SEPTEMBER 13, 1983
(Date of Inception) TO DECEMBER 31, 1983

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Toll Road Enterprise Fund (the "Fund") was created by Harris County, Texas (the "County") on September 13, 1983 to account for the acquisition, construction, improvement, operation and maintenance of the County toll road facilities and services. Construction is expected to begin in 1984.

Basis of Accounting - The Fund uses the accrual basis of accounting in conformity with accounting principles and reporting standards prescribed by the National Council on Governmental Accounting.

Securities - Securities are stated at cost, which approximates market.

Property - Property constructed or acquired by purchase is stated at cost.

The Fund will capitalize as a cost of its constructed assets the interest expense of related borrowings less the interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing, as required by SFAS No. 62, Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants. In 1983 such amounts were not material.

Deferred Expenses - The cost of issuing bonds payable is deferred and will be amortized over the expected term of the bonds.

Vacation Pay and Sick Leave - Employees are paid by prescribed formula for absence due to vacation or sickness. The eligibility for each benefit lapses at year-end; accordingly, the Fund had no liability for vacation pay or sick leave benefits at December 31, 1983.

2. RESTRICTED ASSETS

The bond restrictions require that during the period in which the bonds are outstanding the Fund must create and maintain certain accounts to receive the proceeds from the sale of the bonds, property taxes levied (if any), and the net 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.

3. LONG-TERM DEBT

In an election held in September 1983 the voters authorized the County to issue \$900,000,000 of bonds to pay the costs of acquisition, construction, improvement, operation and maintenance of a system of toll roads and related facilities in the County.

In November 1983 the County issued \$50,000,000 Toll Road Unlimited Tax and Subordinate Lien Variable Rate Demand Revenue Bonds, Series 1983 ("Toll Road Bonds"), the first installment of that bond authorization. The Toll Road Bonds mature on May 1, 2009 and bear interest at a variable rate, payable quarterly each year. The rate of interest is 1/8 of 1% above TENR, which is an interest rate determined and announced weekly by Bankers Trust Company of New York City and based on current yields on short-term tax-exempt obligations. Under certain conditions set out in the Toll Road Bond Indenture, the interest rate may be temporarily adjusted to 1/4 of 1% above TENR.

The payment of the principal and interest on the Toll Road Bonds is secured by a continuing direct annual ad valorem tax, without limit as to rate or amount, on all taxable property in the County. In addition, the debt service is secured by net revenues of the toll road system, as defined. To the extent funds are available from net revenues or other sources, the tax levied in any particular year to pay the debt service on the Toll Road Bonds may be reduced. The County expects to pay such debt service out of a portion of the bond proceeds and net revenues of the toll road system.

The Toll Road Bonds are subject to optional redemption at par at any time on or after May 1, 1984, in whole or in part, and are subject to mandatory redemption at par in \$10,000,000 principal amounts in each of the years 2005 through 2008. In addition, under certain limited circumstances set out in the Toll Road Bond Indenture, the County could be required to redeem any bond on demand by the owner thereof.

4. PENSION PLAN

All of the employees of the County and the Fund are members of the Texas County and District Retirement System. Information concerning the pension plan is available in the annual financial report of the County.

5. COMMITMENTS

At December 31, 1983, the Fund had committed about \$3,850,000 for engineering contracts.