

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

Financial Statements as of
December 31, 1984 and for the Year
then Ended 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, 1984 and the related statements of revenue, expenses and changes in retained earnings and of changes in financial position for the year then ended. 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, 1984 and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Deloitte Haskins + Sells

April 26, 1985

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

BALANCE SHEET, DECEMBER 31, 1984

ASSETS

NOTES

CURRENT RESTRICTED ASSETS:	2	
Cash		\$ 250
Equity in pooled cash and investments		156,058,746
Securities		66,930,710
Accrued interest receivable		2,706,863
Total current restricted assets		<u>225,696,569</u>
PROPERTY:		
Construction work in progress		21,781,547
Rights-of-way		8,114,621
Total property		<u>29,896,168</u>
DEFERRED CHARGES		<u>4,506,000</u>
TOTAL		<u>\$260,098,737</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES (Payable from restricted assets):		
Vouchers payable		\$ 2,921,481
Interest payable		5,682,566
Total current liabilities (payable from restricted assets)		<u>8,604,047</u>
BONDS PAYABLE	3	250,000,000
Total liabilities		<u>258,604,047</u>
FUND EQUITY:		
Retained earnings		1,394,690
Contributed capital		100,000
Total fund equity		<u>1,494,690</u>
TOTAL		<u>\$260,098,737</u>

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1984

Interest income (nonconstruction funds)	\$2,292,560
Less - Administrative expenses	<u>925,276</u>
Net income	1,367,284
RETAINED EARNINGS, JANUARY 1	<u>27,406</u>
RETAINED EARNINGS, DECEMBER 31	<u>\$1,394,690</u>

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1984

SOURCES OF CASH:

Net income	\$ 1,367,284
Expense not requiring cash - amortization of deferred charges	<u>157,000</u>
Cash provided by operations	<u>1,524,284</u>
Proceeds from bond sale	200,000,000
Increase in interest and vouchers payable	7,772,349
Contributed capital	<u>100,000</u>
Total	<u>209,396,633</u>

USES OF CASH:

Increase (decrease) in current restricted assets:	
Cash	(9,414)
Equity in pooled cash and investments	119,355,027
Securities	53,796,040
Increase in accrued interest receivable	2,471,944
Additions to property	29,345,036
Additions to deferred charges	<u>4,438,000</u>
Total	<u>209,396,633</u>

UNRESTRICTED CASH - JANUARY 1 AND DECEMBER 31

\$ -0-

See notes to financial statements.

TOLL ROAD ENTERPRISE FUND OF
HARRIS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1984

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 began in 1984.

Basis of Accounting - The Fund uses the accrual basis of accounting.

Securities, primarily certificates of deposit and U.S. government securities, are stated at cost which approximates market.

Property constructed or acquired by purchase is stated at cost.

The Fund capitalizes 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. In 1984, approximately \$822,000 of such net interest was included as part of the cost of construction in progress. No depreciation has been provided on the Fund's fixed assets since all are still under construction.

Deferred Charges consist of bond issuance costs that are amortized on a straight-line basis over the period during which the bonds are outstanding.

Vacation Pay and Sick Leave - Employees are paid by a 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, 1984.

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. BONDS PAYABLE

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 ("Series 1983 Bonds"), the first installment of that bond authorization. The Series 1983 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 "Indenture"), the interest rate may be temporarily adjusted to 1/4 of 1% above TENR. The average interest rate paid in 1984 was 5.9%.

The Series 1983 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 Indenture, the County could be required to redeem any bond on demand by the owner thereof.

In October 1984, the County issued \$200,000,000 Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1984 ("Series 1984 Bonds"). The Series 1984 Bonds include Compound Interest Bonds (total principal amount \$13,770,000) and Current Interest Bonds (total principal amount \$186,230,000). The Compound Interest Bonds mature from 1994 to 2000, and bear interest at rates ranging from 9.25% to 10.25%, compounded semiannually and payable upon maturity. The Current Interest Bonds mature from 2003 through 2014, and bear interest at rates ranging from 10% to 10.375%, payable semiannually.

All Current Interest Bonds are subject to redemption on February 1, 1995 or on any interest payment date thereafter, at the option of the County, at a price which includes a premium ranging from 3% in 1995 to 1% in 1997. The Current Interest Bonds are subject to mandatory redemption in part beginning in 2001.

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 net revenues of the toll road system when it becomes operational. Until that time, the County expects to pay such debt service out of a portion of the bond proceeds and interest revenues thereon.

The debt service requirements schedule listed below includes interest estimated at 8% on the Series 1983 Bonds, and includes the scheduled mandatory redemptions for Series 1983 and Series 1984 Bonds.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
1985		\$ 23,217,144
1986		23,217,144
1987		23,217,144
1988		23,217,144
1989		23,217,144
1990-1994	\$ 2,707,000	119,917,168
1995-1999	9,707,000	139,128,960
2000-2004	31,756,000	115,549,946
2005-2009	109,080,000	77,708,878
2010-2014	<u>96,750,000</u>	<u>27,067,857</u>
Total	<u>\$250,000,000</u>	<u>\$595,458,529</u>

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. SUBSEQUENT EVENT

In April 1985 the County sold \$100,000,000 Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1985, which bear interest at rates from 8.75% to 10% and mature in years ranging from 1994 to 2015.