

TEXAS TURNPIKE AUTHORITY
AN AGENCY OF THE STATE OF TEXAS

THIRTY-FIFTH ANNUAL REPORT

1988

Robert G. Neely, Executive Director



3015 Raleigh Street • P.O. Box 190369
Dallas, Texas 75219
Phone 214/522-6200

March 28, 1989

Honorable William P. Clements
Governor of the State of Texas
and Members of the Texas Legislature:

The Board of Directors of the Texas Turnpike Authority is pleased to submit the Authority's annual report for 1988, its thirty-fifth year, in compliance with Article 6674v, Vernon's Revised Civil Statutes of Texas, Chapter 410, Acts of 1953, Fifty-third Legislature of the State of Texas, regular session, amended.

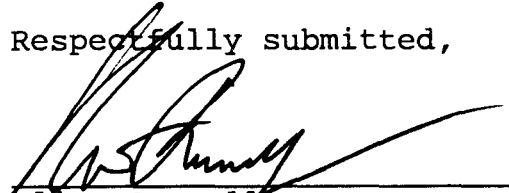
The Authority's activities in 1988 included operation, maintenance, and construction of three projects: the Dallas North Tollway and the Mountain Creek Lake Bridge, both in Dallas County, and the Houston Ship Channel Bridge in eastern Harris County.

The Authority is studying three other projects: the Trinity Turnpike between Dallas and Fort Worth, extension of the Dallas North Tollway, and, a 37-mile portion of Beltway 8 in Houston as a toll facility utilizing 35 percent Federal funds under the Federal Surface Transportation Act of 1987.


We believe that 1988, indeed, set a new direction for the Authority, and this annual report is submitted with a great sense of renewal of mission. The employees of the Authority have done an outstanding job during the past year. Their loyal dedication to the citizens of Texas has earned the gratitude of the Board.

We present this report with pride in past accomplishments and determination to serve Texas even better in the future.

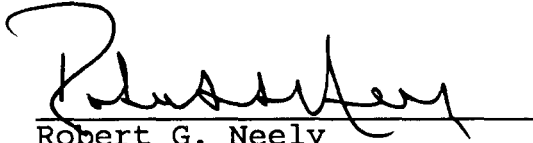
Respectfully submitted,



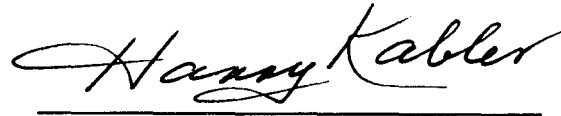
Clive Runnels
Chairman



Charles R. Matthews
Vice Chairman



Robert G. Neely
Executive Director



Harry Kabler
Secretary-Treasurer

TEXAS TURNPIKE AUTHORITY

ANNUAL REPORT

1988

Contents

	<u>Page</u>
I. Letter of Transmittal	i
II. Synopsis	3
III. Board of Directors	5
IV. Dallas North Tollway	8
V. Mountain Creek Lake Bridge	27
VI. Houston Ship Channel Bridge	40
VII. Other Projects	54
VIII. Auditor's Reports	67

TEXAS TURNPIKE AUTHORITY

ANNUAL REPORT

1988

II. SYNOPSIS

The Texas Turnpike Authority, an agency of the State of Texas, was created by the Turnpike Act of 1953, which was passed by the 53rd Texas Legislature.

The Authority's purpose is to plan and build traffic facilities anywhere in Texas with the concurrence of the State Highway and Public Transportation Commission where there is need and financial feasibility, but public tax funds are not readily available. Each project's construction is paid from the proceeds of revenue bonds sold by the Authority for that purpose, and in no way pledges the faith or credit of the State. Costs of maintaining and operating such facilities are paid entirely from toll fares collected from motorists who prefer to use them.

Since it was established in 1953, the Authority has built and operated four toll facilities in Texas: the Dallas-Fort Worth Turnpike; the Dallas North Tollway; the Mountain Creek Lake Bridge in southwestern Dallas County; and the Houston Ship Channel Bridge in eastern Harris County.

The Dallas-Fort Worth Turnpike, the first toll project to be built by the Authority, was opened to traffic August 27, 1957. On December 31, 1977, it was transferred to the State Department of Highways and Public Transportation (SDHPT) as a toll-free highway, 17 years ahead of schedule.

The Dallas North Tollway, the second project to be built by the Authority, marked its 20th year of operation in 1988. The tollway was originally constructed as a 9.8-mile, four-to-six-lane urban toll expressway linking the central business district of Dallas with the north central section of the city, including the separately incorporated municipalities of Highland Park and University Park.

In September 1982, the Authority sold refunding revenue bonds totalling \$168,090,000 principal amount to fund a 9.7 mile northward expansion and extension of the tollway, which was fully opened to traffic during December 1987.

Toll revenue for 1988 was \$24,797,678, compared to \$19,054,949 in 1987.

The Mountain Creek Lake Bridge located in southwestern Dallas County, the Authority's third project, opened April 30, 1979. The overall project extends 2.25 miles from the intersection of SH Spur 303 and Southeast 14th Street in Grand Prairie, on the west side of

the lake, across to the intersection of the SH Spur 303 (Kiest Boulevard) and Florina Drive in Dallas, on the lake's east side.

Toll revenue for 1988 was \$1,285,610, compared to \$1,294,076 in 1987.

The Houston Ship Channel Bridge in eastern Harris County, the Authority's fourth project, opened to traffic on May 6, 1982. Crossing the Houston Ship Channel approximately seven miles east of IH 610, the Bridge extends from SH 225 on the south to IH 10 on the north, a distance of about 4.2 miles along Beltway 8-East.

Toll revenue for the sixth full year of operation was \$5,796,637 compared to \$5,819,825, in 1987.

III. BOARD OF DIRECTORS

The policies of the Authority are determined by a board of twelve directors appointed by the Governor of Texas and confirmed by the State Senate. Directors serve staggered six-year terms without compensation.

The three members of the State Highway and Public Transportation Commission serve as ex-officio members with full voting rights.

Board members at year-end were:

Honorable Clive Runnells, Houston, Chairman

Honorable Charles R. Matthews, Garland, Vice Chairman

Honorable Ray C. Stoker, Jr., Odessa, Director

(and State Highway and Public Transportation
Commissioner)

Honorable Robert L. Collins, Houston, Director

Honorable R. E. "Ed" Palm, Fort Worth, Director

Honorable Robert H. Dedman, Dallas, Director

(and Chairman of the State Highway and Public
Transportation Commission)

Honorable James N. Muns, Plano, Director

Honorable John R. Butler, Jr., Houston, Director

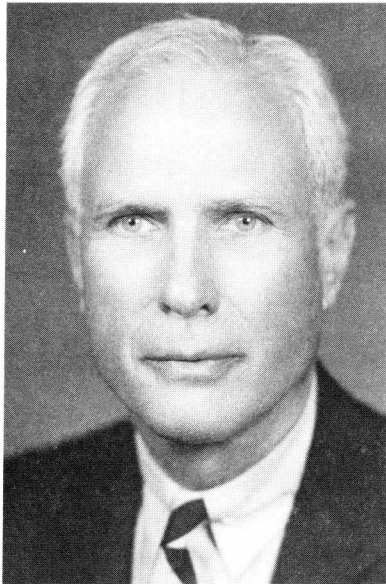
(and State Highway and Public Transportation
Commissioner)

Honorable R. J. Lindley, Jr., Houston, Director

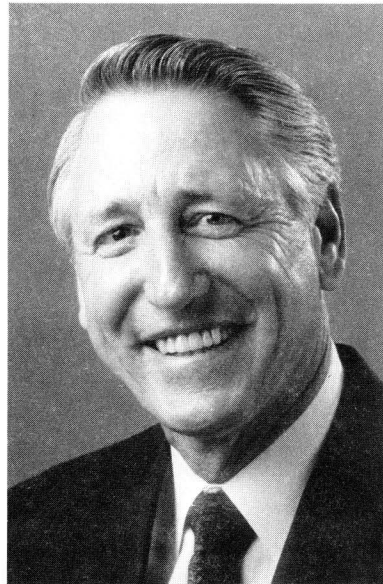
Honorable Royce B. West, Dallas, Director

Honorable Richard L. Bischoff, Houston, Director

(Position #12 is vacant as of this printing.)



Clive Runnells
Chairman



Charles R. Matthews
Vice Chairman

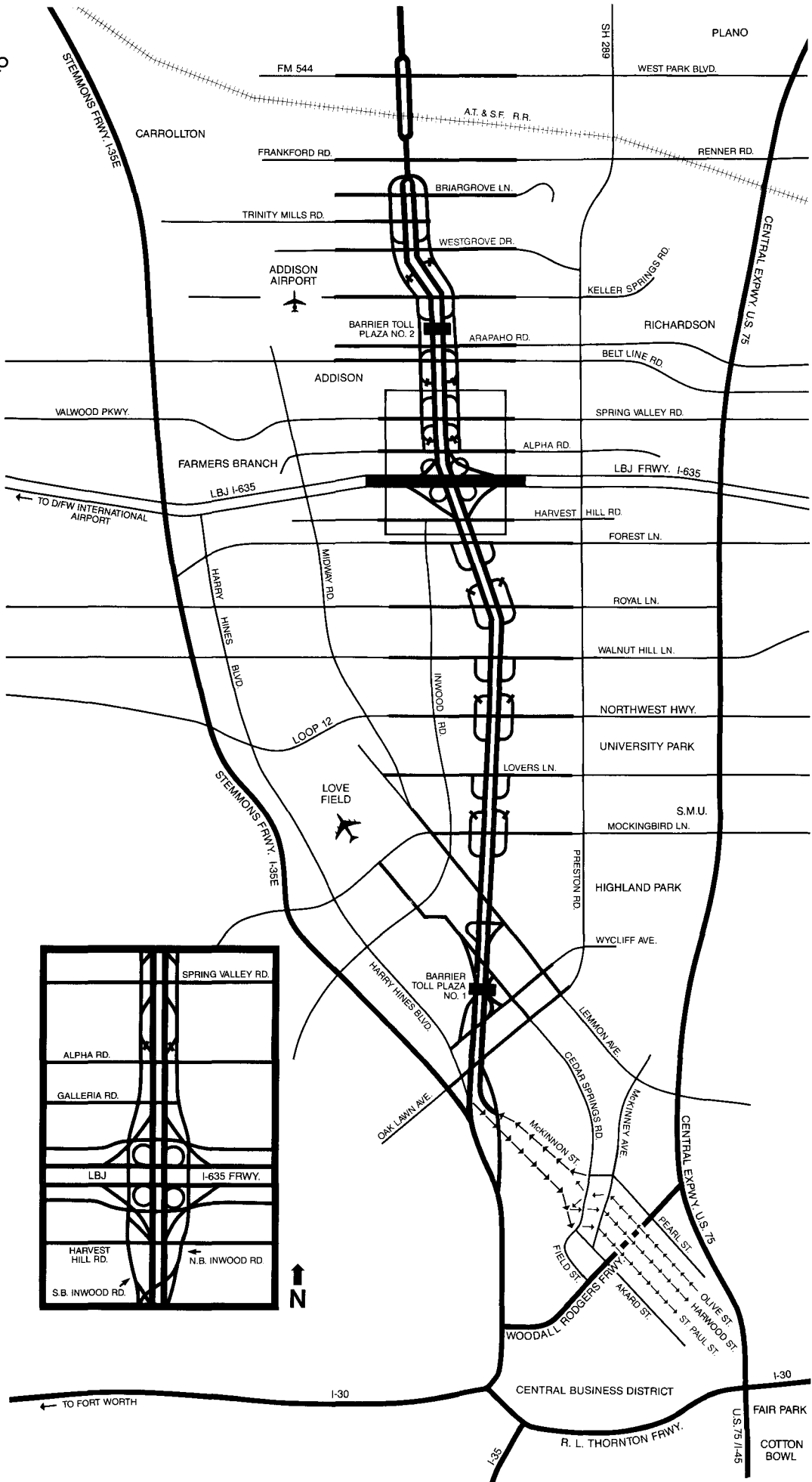
IV. DALLAS NORTH TOLLWAY

The Dallas North Tollway, the second project to be built by the Authority, marked its 20th year of operation in 1988. It was originally constructed as a 9.8-mile, four-to-six-lane urban toll expressway linking the central business district of Dallas with the north central section of the city, including the separately incorporated municipalities of Highland Park and University Park, which are encompassed by the City of Dallas.

At its southern terminus, the tollway connects with principal streets passing through the central business district and with IH 35E (Stemmons Freeway).

In September 1982, the Authority sold revenue bonds totaling \$168,090,000 face amount to fund a 9.7-mile northward extension and expansion of the tollway and its feeder roads from Royal Lane into the City of Plano, to just north of FM 544. The project, known as Tollway Extension, Phase 1, also included widening and certain other improvements to a portion of the existing tollway. The bonds bear an effective interest rate of 10.673 percent.

Location Map





Dallas North Tollway Barrier Plaza No. 1



Dallas North Tollway Barrier Plaza No. 2



Dallas North Tollway Crosses Over IH 635 Interchange

In December 1985, the Authority sold refunding revenue bonds, Series 1985, in principal amount of \$208,060,000 to advance refund the 1982 bonds to take advantage of lower interest rates and provide funds to extend the toll lanes one-half mile; prepare engineering designs sufficient for extending the tollway north to SH 121; and to participate in the construction of permanent feeder roads between FM 544 and SH 121. The effective interest rate on the 1985 bonds is 9.348%, and have a final maturity date of 2013.

The major portion of the bond proceeds was used to defease the 1982 issue, and related costs. This required \$180,309,372 to be placed with the Trustee in Escrow.

The bond debt will be retired from toll revenue generated by motorists choosing to use the facility.

The bond proceeds will fund all right-of-way, engineering, utility relocations and construction. The debt service and operating expenses will be met by tolls collected at the locations shown in Table 1 at the rates indicated.

TABLE 1
As of September 1986

Fares listed under the BARRIER PLAZA 1 schedule apply to vehicles passing through the plaza near Cedar Springs Road and the southern terminus of the tollway. Fares under the ramp schedules apply to vehicles entering or exiting the tollway at these locations. Fares under BARRIER PLAZA 2 schedule apply to vehicles passing through the plaza located near Keller Springs Road.

TOLL CLASS	1	3	4	5	6
DESCRIPTION		Three- Axle Vehicles and Vehicle Combin- ations	Four- Axle Vehicles and Vehicle Combin- ations	Five- Axle Vehicles and Vehicle Combin- ations	Any vehicle of six or more axles, or requiring a special permit. Maximum width 10'; maximum height 14'6".
BARRIER TOLL PLAZA NO. 1 CEDAR SPRINGS ROAD	.50	.80	1.00	1.20	1.40
MOCKINGBIRD LANE	.40	.60	.80	1.00	1.20
NORTHWEST HIGHWAY	.30	.50	.70	.90	1.10
ROYAL LANE	.25	.40	.50	.60	.70
SPRING VALLEY ROAD	.25	.40	.50	.60	.70
BELT LINE ROAD	.30	.50	.70	.90	1.10
BARRIER TOLL PLAZA NO. 2 KELLER SPRINGS ROAD	.50	.80	1.00	1.20	1.40

As recorded in the 1987 Annual Report, all major construction on the 9.7-mile Phase 1 northward extension of the tollway project was fully opened to traffic in December 1987. During 1988, additional construction and engineering contracts funded in the 1985 Series Bonds were awarded. The contracts for toll plaza expansion, landscaping design and construction and utility adjustments were valued at \$2,050,000. At the conclusion of 1988, work was underway on all those contracts.

The 1985 Series Bonds included funds to perform the complete engineering services for the Phase 2 Extension northward on the Dallas North Tollway. Phase 2 will extend the tollway from Briargrove Lane in Dallas to SH 121 in Plano. During 1988, Phase 2 contracts were awarded for general consulting civil engineering services, for geotechnical engineering services, and for professional surveying services. On December 31, 1988, work was underway on the general consulting civil engineering contract and on the surveying contract. A Notice to Proceed on the geotechnical engineering services for the Phase 2 Extension will be issued in mid-January 1989.

In December 1988, the Authority also awarded a contract to its traffic and revenue engineer authorizing it to update its traffic and revenue forecasts for the complete system, including the Phase 2 Extension. With the toll revenues being collected on the Phase 1 Extension

meeting or exceeding that forecast and with revenue bond interest rates within the 7-8 percent range, a new series of bonds could be issued in 1989 to fund the Phase 2 extension. The staff and its consultants will be monitoring the revenues collected, prevailing interest rates, and construction costs so that when the correct margins of debt service coverage can be projected, the Authority will be prepared to market a new bond issue.

At year-end, 55,681,612 revenue vehicle trips were recorded, an average of 152,136 per day, as compared to 43,943,386 revenue vehicle trips in 1987, an average of 120,393 per day.

Toll revenue increased in 1988 to \$24,797,678, compared to \$19,054,949 in 1987.

The tollway's traffic and revenue history for the 20 full years it has been in operation is presented in the following exhibit.

DALLAS NORTH TOLLWAY

<u>Year</u>	<u>Daily Average Revenue Vehicle Trips*</u>	<u>Daily Average Toll Revenues*</u>
1969	40,000	\$ 5,600
1970**	43,200	\$ 6,800
1971	42,600	\$ 7,900
1972	46,000	\$ 8,500
1973	50,700	\$ 9,300
1974	47,300	\$ 8,700
1975***	48,200	\$10,200
1976	51,900	\$12,100
1977	58,600	\$13,600
1978	66,200	\$15,400
1979	72,700	\$16,800
1980	77,800	\$18,000
1981	85,000	\$19,600
1982****	85,500	\$24,100
1983	77,200	\$35,700
1984	80,100	\$37,300
1985	77,800	\$36,600
1986	82,100	\$38,100
1987	120,400	\$52,200
1988	152,100	\$67,800

*Rounded to the nearest 100.

**Toll increase effective August 1, 1970.

***Toll increase effective June 1, 1975.

****Toll increase effective October 1, 1982.

A budget of \$6,327,980 was approved by the Authority's Board for operation and maintenance in 1988, of which \$5,860,417 was spent, or 92.6 percent of the total amount budgeted.

In December 1988 a budget of \$7,196,170 for 1989 was approved for expenditures in routine operation and maintenance of the Dallas North Tollway. A deposit of \$62,000 to the Reserve Maintenance Fund was authorized to cover expenditures anticipated in 1989 and properly chargeable to this fund.

The Trust Agreement requires that the Consulting Engineers make recommendations concerning the annual budget and deposits to the Reserve Maintenance Fund. These recommendations, along with a report of their annual inspection of the tollway and recommendations for insurance coverage, are presented in the Consulting Engineer's letter on the following pages.

The auditors' report is presented in Section VIII.

HOWARD NEEDLES TAMMEN & BERGENDOFF

February 10, 1989

Texas Turnpike Authority
P. O. Box 190369
Dallas, Texas 75219-0369

DALLAS NORTH TOLLWAY
Condition, Budget & Insurance

Gentlemen:

The Trust Agreement, which secures the Dallas North Tollway Revenue Bonds, Series 1985, each year requires the Texas Turnpike Authority's Consulting Engineers to furnish a report on the condition and operation of the Project. This report, contained herein, sets forth the following:

- a. Their findings whether the Tollway has been maintained in good repair, working order and condition;
- b. Their advice and recommendations as to the proper maintenance, repair, and operation of the Tollway during the ensuing fiscal year and an estimate of the amount of money necessary for such purposes, including their recommendations as to the total amounts and classifications of items and amounts that should be provided for Current Expenses and the Reserve Maintenance Fund in the Annual Budget for the next ensuing fiscal year, and
- c. Their advices and recommendations as to the insurance to be carried under the provisions of Article VII of this Agreement.

In compliance with these requirements, maintenance inspections of the Tollway property were conducted by engineers of our staff in September 1988. These inspections included observations of the condition of the roadway and shoulders, drainage facilities, slopes, bridges, toll plazas and lighting on the Project.

Architects Engineers Planners

14114 Dallas Parkway, Suite 630, Dallas, Texas 75240, 214 681-5626

Partners Gerard F. Fox PE, Charles T. Hennigan PE, Daniel J. Watkins PE, Daniel J. Spigai PE, John L. Cotton PE, Francis X. Hall PE, Robert S. Coma PE, Donald A. Dupies PE, William Love FAIA, Robert D. Miller PE, James L. Tuttle, Jr. PE, Hugh E. Schall PE, Cary C. Goodman AIA, Gordon H. Slaney, Jr. PE, Harvey K. Hammond, Jr. PE, Stephen G. Goddard PE, John W. Wight, Jr. PE

Associates Don R. Ort PE, Kendall T. Lincoln CPA, Roberts W. Smithem PE, Richard D. Beckman PE, Harry D. Bertossa PE, Ralph E. Robison PE, Cecil P. Counts PE, Stanley I. Mast PE, Robert W. Anzia PE, Walter Sharko PE, James O. Russell PE, Ross L. Jensen AIA, Frank T. Lamm PE, Ronald W. Aarons AIA, H. Jerome Butler PE, Blaise M. Carriere PE, Michael P. Ingardia PE, Bernard L. Prince PE, Stephen B. Quinn PE, Saul A. Jacobs PE, Ewing H. Miller FAIA, Douglas C. Myhre PE, Carl J. Mellea PE, Daniel F. Becker PE, Richard L. Farnan AIA, Donald P. Keuth PE, Douglas E. Prescott PE, Ronald L. Hartje PE, Robert W. Luscombe PE, Thomas L. Williams AIA, Dennis E. Conklin PE, John E. Kupke PE, Rodney P. Pello PE, Steven M. Reiss AIA

Offices Alexandria, VA, Atlanta, GA, Austin, TX, Baton Rouge, LA, Boston, MA, Charleston, WV, Chicago, IL, Cleveland, OH, Dallas, TX, Denver, CO, Fairfield, NJ, Hartford, CT, Houston, TX, Indianapolis, IN, Irvine, CA, Kansas City, MO, Lexington, KY, Lexington, MA, Los Angeles, CA, Miami, FL, Milwaukee, WI, Minneapolis, MN, Nashua, NH, New York, NY, Orlando, FL, Overland Park, KS, Philadelphia, PA, Phoenix, AZ, Raleigh, NC, Seattle, WA, Tampa, FL, Tulsa, OK, Wilmington, DE

CONDITION

Our inspections of the Tollway and its related facilities indicate that after 21 years of service, it remains in satisfactory condition. The Authority's maintenance forces have effectively corrected deficiencies related to increasing traffic volumes and normal deterioration. As a result of these routine maintenance efforts, the Tollway remains a safe and convenient route for motorists.

The bridge decks and approach slabs adjacent to structures of the original Tollway exhibit a moderate amount of surface cracking. These have been sealed by the maintenance forces. Minor transverse cracks, as evidenced by leaching, were observed on the underside of several bridge decks. These conditions are not considered serious, but do indicate the level of bridge deck deterioration.

Spalling on the ends of pier caps at a few locations on the ramp bridges connecting to I.H. 35E should eventually be repaired. Maintenance forces continue to clean and reseal roadway pavement joints and replace small sections of deteriorated roadway pavement. These repairs will need to be accelerated in the next few years to maintain a satisfactory pavement surface as the project ages.

The toll plaza booth and canopies were repainted under the contract for construction of new toll booths on the Tollway Extension, Phase 1. The new coat of paint has enhanced the appearance of the plazas and will protect wood surfaces from deterioration.

All of the above considerations, along with other miscellaneous items requiring the attention of maintenance personnel, are discussed under a separate Report of Inspection.

The steelwork on bridges of the original Tollway construction between the Dallas CBD and I.H. 635 was repainted during 1988. This is the first time these structures have been repainted since their construction 20 years ago, and this represents an unusually long service life for a paint coating in an urban environment.

The Authority continues to strive for improvement of service to its patrons as traffic increases on the project. In September, the Authority awarded a contract to widen the Toll Plaza No. 1 located near Cedar Spring Road by the addition of two collection lanes. This expansion and the addition of new ramp plazas at Keller Springs Road should be completed and opened to traffic in 1989.

During 1988, the Authority, in cooperation with a local firm, initiated an experimental program for Automatic Vehicle Identification (AVI). This program is designed to electronically identify patrons who have paid tolls in advance and permit those vehicles to pass through the toll plaza without depositing coins. The successful application of this technology should expedite movement of increased traffic volumes at the barrier toll plaza.

BUDGET

A preliminary budget of funds for the anticipated expenditures of operation and maintenance of the Tollway during 1989 was prepared by the administrative staff of the Authority. The classification and divisions of the budget are the same as recommended for other projects of the Authority and as used in previous years. We have reviewed and recommended approval of the preliminary budget which was finally approved and adopted by the Board on December 8, 1988.

The budget anticipates expenditures totaling \$7,196,170 for normal operating expenses during 1989. This compares to \$6,327,980 allocated for these expenses during 1988 and represents an increase of 13.7% in the total operating budget.

Salaries, wages, and related costs of Social Security and retirement contributions comprise the largest single element of operation and maintenance costs and amount to \$5,345,790 or 74% of the total 1989 budget. This increase is caused primarily by the need of additional personnel to man the extended facility.

Deposits to the Reserve Maintenance Fund totaling \$62,000 are also provided by the budget for 1989. It is our opinion that the proposed allocation will be adequate to provide for anticipated expenditures from this fund and to maintain a minimum fund balance of \$2,000,000.

Our review of the budget indicates that it should provide for all anticipated items of expense during 1989, and it is our opinion that the budget will be sufficient to continue the level of service and maintenance of the Project which has been established by the Authority. A summary of the budget is shown in the attached tabulation.

INSURANCE

A Schedule of Insurance provided on the property and operation of the Tollway for the year 1988 is attached. In the interest of economy, the Authority has included coverage for facilities of the Mountain Creek Lake Bridge and Houston Ship Channel Bridge Projects into the Dallas North Tollway Project policies.

Use and Occupancy insurance, provided to protect against loss of operation revenues, in the face amount of \$29,847,500 was in effect at year's end. This coverage is provisional and extends to 125% of the face amount.

Fire and Extended Coverage insurance in the total amount of \$2,678,000, was in effect on the Tollway buildings and an additional \$490,000 on their contents for 1988.

Texas Turnpike Authority
Dallas, Texas 75219-0369

-4-

Dallas North Tollway
February 10, 1989

Bridge Property Damage insurance covers the two ramp bridges which connect the Tollway to I-35E. The 1988 estimated replacement cost less depreciation for the respective structures was as follows:

Bridge No. 1	\$1,376,250
Bridge No. 2	\$2,482,500

Other insurance in effect includes Comprehensive General Liability, Workers Compensation, and Liability Coverage on automobiles and electric service trucks. Honesty Blanket and Comprehensive Dishonesty, Disappearance and Destruction Bonds are in effect on all employees, and a Public Official Bond covers the Secretary-Treasurer of the Authority.

It is our opinion that this program of insurance coverage complies with all requirements of the Trust Agreement and is in accord with good business practices.

Respectfully submitted,

HOWARD NEEDLES TAMMEN & BERGENDOFF



Daniel F. Becker, P.E.
Associate

DFB/cs

Enc.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY
SUMMARY OF 1989 ANNUAL BUDGET

ADMINISTRATION

Administration	\$ 603,570	
Accounting	143,940	
Data Processing	76,310	
Insurance	<u>475,830</u>	
Subtotal		\$1,299,650

OPERATIONS

Toll Collection	3,714,950	
Engineering & Maintenance	1,023,020	
Utilities	271,600	
Traffic Control	<u>886,950</u>	
Subtotal		<u>5,896,520</u>

TOTAL BUDGETED OPERATING EXPENSE \$7,196,170

DEPOSIT TO RESERVE MAINTENANCE FUND \$ 62,000

TEXAS TURNPIKE AUTHORITY

DALLAS NORTH TOLLWAY

SCHEDULE OF INSURANCE

Sheet 1 of 2

<u>POLICY DESCRIPTION, CO. & NO.</u>	<u>TERM EXPIRES</u>	<u>AMOUNT OF COVERAGE</u>
<u>Bridge Property Damage</u>		
Lloyds Insurance Brokers - NGG-400	1/1/90	Bridge No. 1 - \$1,376,250 Bridge No. 2 - \$2,482,500
<u>Use & Occupancy</u>		
Lloyds Insurance Brokers - NGG-400	1/1/90	\$29,847,500
<u>Building & Contents</u>		
Aetna Casualty & Surety Co. - 018 TCP 5069100 4430 Hartford, Dallas, Texas	1/1/89	Building - \$188,000 Contents - \$ 35,000 Building - \$ 20,000 Contents - \$ 5,000
4430 Hartford, Toll Plaza Mockingbird Toll Plazas Northwest Highway Toll Plazas 405 S. Industrial, Dallas, Texas		Building - \$174,000 2 @ \$ 27,000 ea. 2 @ \$ 27,000 ea. Building \$ 96,000 Contents \$100,000
3015 Raleigh, Dallas, Texas Administration Building 3008 Indiana Street, Dallas, Texas		Building - \$433,000 Contents - \$145,000 Contents - \$170,000
14909B Dallas Parkway, Dallas, Texas		Building - \$527,000 Contents - \$ 35,000
Barrier Plaza #2, Dallas, Texas Royal Lane Toll Plaza, Dallas, Texas Spring Valley Toll Plaza, Dallas, Texas Belt Line Road Toll Plaza, Dallas, Texas		Building - \$481,000 2 @ \$102,500 ea. 2 @ \$102,500 ea. 2 @ \$120,500 ea.
<u>Comprehensive General Liability</u>		
Aetna Casualty & Surety Co. - 018 GL 5069100 CCS	1/1/89	B.I. & P.D. - \$1,000,000 Combined Single Limit
<u>State Employees Group Health & Life - Statutory</u>		
Blue Cross - Blue Shield -38000	9/1/87	Health, \$1,000,000 Lifetime Maximum \$4,000 Life \$4,000 AD & D

TEXAS TURNPIKE AUTHORITY

DALLAS NORTH TOLLWAY

SCHEDULE OF INSURANCE

Sheet 2 of 2

<u>POLICY DESCRIPTION, CO., & NO.</u>	<u>TERM EXPIRES</u>	<u>AMOUNT OF COVERAGE</u>
<u>Worker's Compensation</u> Chilton Insurance Co. C6259	1/1/89	\$500,000
<u>Comprehensive Dishonesty, Disappearance & Destruction Bond</u> Aetna Casualty & Surety Co. 018BY100340446	1/1/90	Loss Inside Premises \$100,000 Loss Outside Premises \$100,000 Counterfeit Money \$ 1,000 Depositors Forgery \$ 10,000
<u>Public Official Bond Secretary-Treasurer</u> Aetna Casualty & Surety Co. Bond # 018S 75964 BCA	1/1/89	\$50,000
<u>Public Employees Honesty Blanket Bond</u> Aetna Casualty & Surety Co. Bond # 018 F 100340662	1/1/90	\$50,000
<u>Comprehensive Auto Liability</u> Aetna Casualty & Surety Co. 018 FJ809873 CCA	1/1/89	\$1,000,000 Combined Single Limit
<u>Scheduled Property - Electric Service Trucks & Aerial Ladders</u> Aetna Casualty & Surety Co. 018 IH5066505 FCA	1/1/89	1987 Chev. C-70 \$54,000/500 Deduct. 1980 Chev. C-60 \$20,000/500 Deduct.

The tollway is policed under an Interagency Agreement with the Department of Public Safety (Highway Patrol). All costs of this service are underwritten by the Authority.

The tollway continues to maintain its superior safety record as indicated by the following statistics taken from the Highway Patrol's records:

Vehicle trips	56,132,343
Vehicle miles	292,450,626
Non-injury accidents	140
Injury accidents	110
Fatal accidents	0
Fatalities	0
Total accidents	250
Total accidents per 100 million miles	85.48
Fatal accidents per 100 million miles	0
Fatalities per 100 million miles	0

The Highway Patrol's records reveal the following information about enforcement:

Arrests:

Speeding	877
Improper turn	23
DWI	55
Failure to pay toll	50
Miscellaneous	1,101
Total Arrests	2,106
Warnings	943
Assistance rendered	31,756

DALLAS NORTH TOLLWAY
PROFESSIONAL OR CONSULTANT FEES
1988

<u>PROFESSIONAL OR CONSULTANT</u>	<u>SERVICES RENDERED</u>	<u>FEES</u>
Howard, Needles, Tammen & Bergendoff	Consulting Engineering Services	\$833,713
Wilbur Smith Associates	Traffic Engineering Services	10,000
State Department of Highways & Public Transportation	Testing Engineer Services	270
NCNB Texas National Bank	Trustee Services	33,000
Locke Purnell Rain Harrell	General Counsel	446,354
Vinson & Elkins	Special Counsel	23,587
Geogram Corporation	Right-of-Way Surveyor	5,699
Peat Marwick Main & Co.	Financial Audit	36,100
DBG&H Unlimited Inc.	Public Information Services	1,808
Profiles International, Inc.	Personnel and Management Services	7,205
Southwest Clinic Association	Medical Services	8,569
Shimek, Jacobs, Finklea	Section Engineer	1,399
Worrell & Associates, Inc.	Control and Right-of-Way Surveys	14,741
Amphion Environmental, Inc.	Landscape Architect	34,847
First Southwest Co.	Financial Advisory Services	10,500

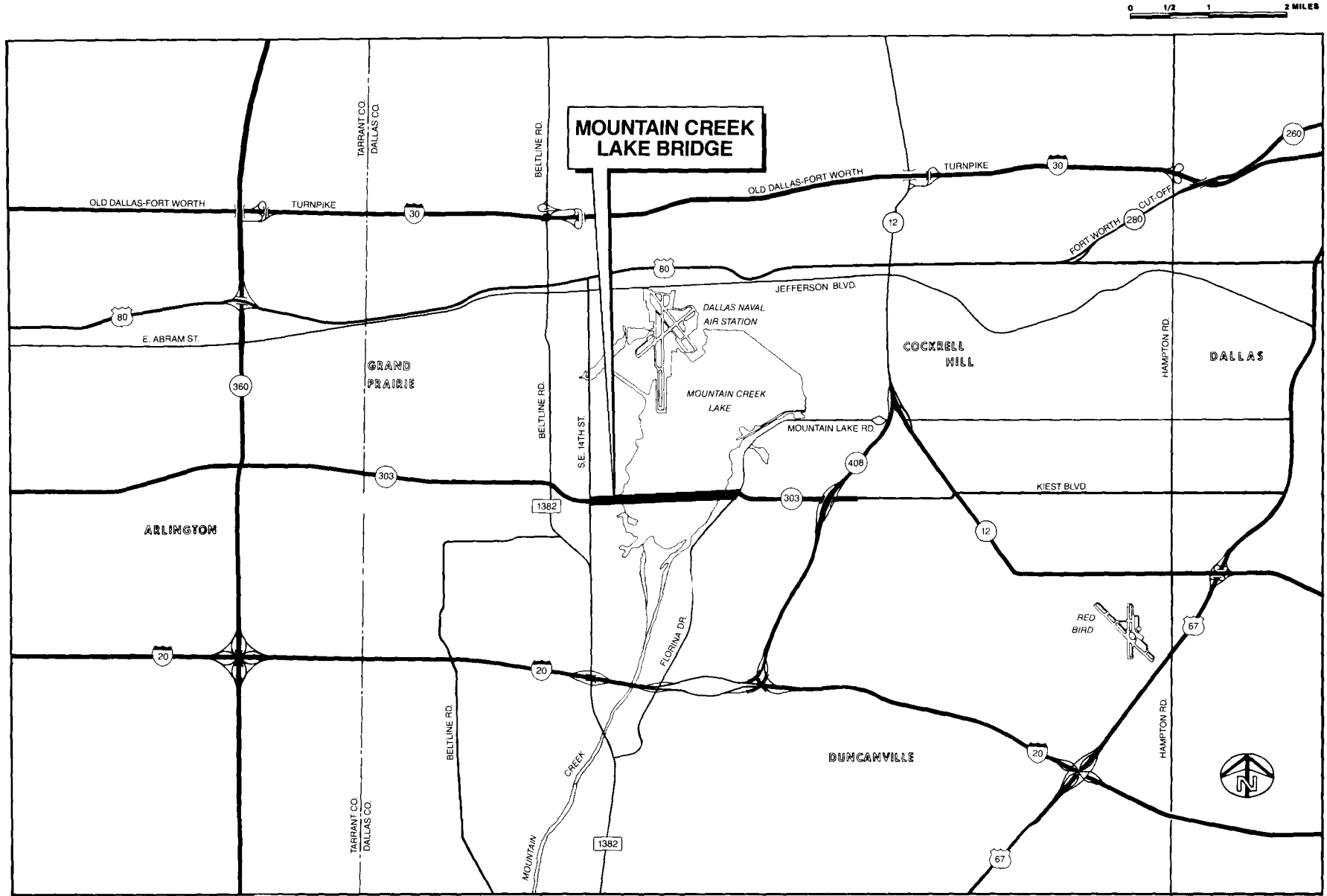
V. MOUNTAIN CREEK LAKE BRIDGE

Mountain Creek Lake Bridge in southwestern Dallas County, the third project to be built by the Authority, was opened April 30, 1979.

The overall project extends about two miles from the intersection of SH Spur 303 and Southeast 14th Street in Grand Prairie, on the west side of the lake, across to the intersection of SH Spur 303 (Kiest Boulevard) and Florina Drive in Dallas, on the lake's east side. It provides motorists with a direct east-west crossing of the lake between Dallas (Oak Cliff) and Grand Prairie.

The bridge design allows for a 34-foot-wide roadway for two 12-foot-wide traffic lanes, with room for passing a stalled vehicle. The bridge structure is 7,425 feet long. The bridge has a 10-foot clearance above the lake surface.

In addition to the bridge, the project also includes approaches, interchanges, a toll plaza, a small administration/utility building, a maintenance facility, and a parking lot.



Location Map

At year end, revenue vehicle trips totaled 2,555,690, as compared to 2,572,828 revenue vehicle trips in 1987.

Toll revenue for 1988 was \$1,285,610, as compared to \$1,294,076 in 1987.

The bridge's traffic and revenue history for the nine full years it has been in operation is presented in the following exhibit:

MOUNTAIN CREEK LAKE BRIDGE

<u>Year</u>	<u>Daily Average Revenue Vehicle Trips*</u>	<u>Daily Average Toll Revenues*</u>
1980	3,700	\$1,500
1981**	4,500	\$1,900
1982	4,700	\$2,400
1983	5,200	\$2,600
1984	6,000	\$3,000
1985	6,500	\$3,300
1986	7,100	\$3,600
1987	7,000	\$3,500
1988	7,000	\$3,500

*Rounded to the nearest 100.

**Toll increase effective October 1, 1981.

Mountain Creek Lake Bridge revenue bonds in the principal amount of \$9.2 million were issued by the Authority in June 1977. The bonds bear an effective rate of interest of 7.07 percent with a final maturity date of January 1, 2007.

The bond debt will be retired from toll revenue paid by motorists choosing to use the bridge. Toll rates are 25 cents per axle, so passenger cars pay 50 cents total.

In accordance with the Trust Agreement, the amount of \$200,000 was withdrawn by the Trustee on December 30, 1988, to retire bonds in the principal value of \$220,000 due and payable on January 1, 1989, with the historical retirement being \$1,395,000 leaving bonds outstanding in the principal value of \$7,805,000.

A budget of \$542,880 was approved by the Authority's board for operation and maintenance in 1988,



Mountain Creek Lake Bridge in southwest Dallas County.

of which \$474,033 was spent, or 87.3 percent of the total amount budgeted.

In December 1988 a budget of \$539,020 for 1989 was approved for expenditures in routine operation and maintenance of the Mountain Creek Lake Bridge. No additional deposit was needed for the Reserve Maintenance Fund to cover expenditures anticipated in 1989.

The Trust Agreement requires that the Consulting Engineers make recommendations concerning the annual budget and deposits to the Reserve Maintenance Fund. These recommendations, along with a report of their annual inspection of the Bridge and recommendations for insurance coverage, are presented in the Consulting Engineers' letter on the following pages.

The auditors' report is presented in Section VIII.

HOWARD NEEDLES TAMMEN & BERGENDOFF

February 10, 1989

Texas Turnpike Authority
P. O. Box 190369
Dallas, Texas 75219-0369

MOUNTAIN CREEK LAKE BRIDGE
Condition, Budget & Insurance

Gentlemen:

The Trust Agreement, which secures the Mountain Creek Lake Bridge Revenue Bonds, Series 1977, requires that the Texas Turnpike Authority's Consulting Engineers make an inspection of the Bridge each year and submit to the Authority a report setting forth:

- a. Their findings whether the Bridge has been maintained in good repair, working order and condition;
- b. Their advice and recommendations as to the proper maintenance, repair and operation of the Bridge during the ensuing fiscal year, and an estimate of the amount of money necessary for such purposes, including their recommendations as to the total amounts and classifications of items and amounts that should be provided for Current Expenses and the Reserve Maintenance Fund in the Annual Budget for the next ensuing fiscal year; and
- c. Their advices and recommendations as to the insurance to be carried under the provisions of Article VII of this Agreement.

In compliance with these requirements, a maintenance inspection of the Bridge was conducted by a member of our staff in September 1988. This inspection covered the bridge property including pavement, drainage structures, toll plaza, maintenance area, bridge elements above the water or ground line, and other roadway appurtenances.

Architects Engineers Planners

14114 Dallas Parkway, Suite 630, Dallas, Texas 75240, 214 661-5626

Partners Gerard F. Fox PE, Charles T. Hennigan PE, Daniel J. Watkins PE, Daniel J. Spigai PE, John L. Cotton PE, Francis X. Hall PE, Robert S. Coma PE, Donald A. Dupies PE, William Love FAIA, Robert D. Miller PE, James L. Tuttle, Jr. PE, Hugh E. Schall PE, Cary C. Goodman AIA, Gordon H. Slaney, Jr. PE, Harvey K. Hammond, Jr. PE, Stephen G. Goddard PE, John W. Wight, Jr. PE

Associates Don R. Ort PE, Kendall T. Lincoln CPA, Roberts W. Smithem PE, Richard D. Beckman PE, Harry D. Bertossa PE, Ralph E. Robison PE, Cecil P. Counts PE, Stanley I. Mast PE, Robert W. Anzia PE, Walter Sharko PE, James O. Russell PE, Ross L. Jensen AIA, Frank T. Lamm PE, Ronald W. Aarons AIA, H. Jerome Butler PE, Blaise M. Carriere PE, Michael P. Ingardia PE, Bernard L. Prince PE, Stephen B. Quinn PE, Saul A. Jacobs PE, Ewing H. Miller FAIA, Douglas C. Myhre PE, Carl J. Mellea PE, Daniel F. Becker PE, Richard L. Farnan AIA, Donald P. Keuth PE, Douglas E. Prescott PE, Ronald L. Hartje PE, Robert W. Luscombe PE, Thomas L. Williams AIA, Dennis E. Conklin PE, John E. Kupke PE, Rodney P. Pello PE, Steven M. Reiss AIA

Offices Alexandria, VA, Atlanta, GA, Austin, TX, Baton Rouge, LA, Boston, MA, Charleston, WV, Chicago, IL, Cleveland, OH, Dallas, TX, Denver, CO, Fairfield, NJ, Hartford, CT, Houston, TX, Indianapolis, IN, Irvine, CA, Kansas City, MO, Lexington, KY, Lexington, MA, Los Angeles, CA, Miami, FL, Milwaukee, WI, Minneapolis, MN, Nashua, NH, New York, NY, Orlando, FL, Overland Park, KS, Philadelphia, PA, Phoenix, AZ, Raleigh, NC, Seattle, WA, Tampa, FL, Tulsa, OK, Wilmington, DE

CONDITION

Inspections of the Bridge, toll plaza, maintenance area and Bridge property indicate that the Authority is providing satisfactory maintenance services. The Bridge and Bridge property are in good condition and should remain so for many years if the maintenance activity continues at its present level.

The operations building and the plaza toll booths have been repainted to preserve appearance and protect from deterioration. Routine maintenance should be all that is required during the coming year.

The roadway leading to the maintenance yard is not in very good condition, but the surfacing has received minor repairs and pothole patching during the past year. These repairs have been adequate to keep the road serviceable for the few maintenance vehicles (which are the only vehicles that utilize the roadway). The asphalt-surfaced parking lot also continued to need maintenance on occasion.

The joint sealing material on the approach roadway is deteriorating and should be resealed by the maintenance forces. Some erosion of the west shore line of the lake was noted during the inspection. This is not serious, but will be kept under observation.

All of the above considerations, along with other miscellaneous items requiring the attention of maintenance personnel, are discussed under a separate Report of Inspection.

BUDGET

A budget of funds for the anticipated expenditures of operation and maintenance of the Bridge Project in 1989 has been prepared by the administrative staff of the Authority. The proposed budget was reviewed with the Authority's staff prior to its approval and adoption by the Board at its meeting on December 8, 1988. It is our opinion that the budget will adequately provide the necessary funds for operations and maintenance during the coming year. A summary of the approved budget with our recommended divisions and classifications is attached.

The budget anticipates expenditures totaling \$539,020, for normal operating expenses during 1989. This compares to \$542,880 allocated for the year 1988 and represents an decrease of 0.7% in the total operating budget.

The budget does not provide an allocation for deposit to the Reserve Maintenance Fund during 1989. An initial deposit to this Fund in the amount of \$100,000 was capitalized in the Bond Issue and it is our opinion that this deposit, along with its interest earnings, will be adequate to offset any expenditures of an unusual nature that may occur during the coming year, and yet maintain the recommended \$200,000 balance previously established.

INSURANCE

A Schedule of Insurance on the property and operation of the Bridge Project for the year 1988 is attached. Several of the policies also provide coverage for the Dallas North Tollway and Houston Ship Channel Bridge Projects.

Use and Occupancy Insurance coverage in the face amount of \$1,737,000 was in effect at year's end. As mandated by the Trust Agreement, the face amount of coverage is provisional and extends protection to an annual loss of 125% of the face amount.

Fire and Extended Insurance coverage in the total amount of \$297,000 was in effect on the Bridge project buildings and an additional \$11,000 on their contents for 1988.


Bridge Property Damage Insurance in the face amount of \$6,125,000 was also in effect during 1988. The Bridge Property Damage policy coverage was derived from a 1988 estimated replacement cost less depreciation.

Other insurance in effect at year's end included Comprehensive General Liability, Workers Compensation, and Liability Coverage on automobiles and electric service trucks. Honesty Blanket and Comprehensive Dishonesty and Disappearance and Destruction Bonds are in effect on all employees, and a Public Official Bond covers the Secretary-Treasurer of the Authority.

It is our opinion that the Authority's insurance program complies with the requirements of the Trust Agreement.

Respectfully submitted,

HOWARD NEEDLES TAMMEN & BERGENDOFF


Daniel F. Becker, P.E.
Associate

DFB/cs

Enc.

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE
SUMMARY OF 1989 ANNUAL BUDGET

ADMINISTRATION

Administration	\$ 66,970	
Accounting	20,560	
Data Processing	10,910	
Insurance	<u>55,330</u>	
Subtotal		\$153,770

OPERATIONS

Toll Collection	272,250	
Engineering & Maintenance	88,700	
Utilities	24,300	
Traffic Control	<u>0</u>	
Subtotal		<u>385,250</u>

TOTAL BUDGETED OPERATING EXPENSE \$539,020

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE
SCHEDULE OF INSURANCE

Sheet 1 of 2

POLICY DESCRIPTION, CO. & NO.	TERM EXPIRES	AMOUNT OF COVERAGE
<u>Bridge Property Damage</u> Lloyds Insurance Brokers - NGG-400	1/1/90	\$6,125,000
<u>Use & Occupancy</u> Lloyds Insurance Brokers - NGG-400	1/1/90	\$1,737,000
<u>Building & Contents</u> Aetna Casualty & Surety Co. - TCP 5069100 FCA 2601 Hardy St, Grand Prairie, Tx.	1/1/89	Building \$147,000 Contents \$ 6,000
2601R Hardy St., Grand Prairie, Tx.		Building \$ 42,000 Contents \$ 5,000
2601C Hardy St. Toll Plaza, Grand Prairie, Tx.		Building \$108,000
<u>Comprehensive General Liability</u> Aetna Casualty & Surety Co. - 018 GL 5069100 CCS	1/1/89	B.I. & P.D. \$1,000,000 Combined Single Limit
<u>State Employees Group Health & Life - Statutory</u> Blue Cross-Blue Shield - 38000	9/1/87	Health - \$1,000,000 Lifetime Maximum Life \$4,000 Term \$4,000 AD&D
<u>Workers' Compensation</u> Chilton Insurance Co. C6259	1/1/89	\$500,000
<u>Comprehensive Dishonesty, Disappearance and Destruction Bond</u> Aetna Casualty & Surety Co. 018BY100340446	1/1/90	Loss Inside Premises \$100,000 Loss Outside Premises \$100,000 Counterfeit Money \$ 1,000 Depositors Forgery \$ 10,000

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE
SCHEDULE OF INSURANCE

Sheet 2 of 2

POLICY DESCRIPTION, CO. & NO.	TERM EXPIRES	AMOUNT OF COVERAGE
Public Official Bond Secretary-Treasurer Aetna Casualty & Surety Co. Bond # 018S 75964 BCA	1/1/89	\$50,000
Public Employees Honesty Blanket Bond Aetna Casualty & Surety Co. Bond # 018 F 100340662	1/1/90	\$50,000
Comprehensive Auto Liability Aetna Casualty & Surety Co. 018 FJ809873 CCA	1/1/89	\$1,000,000 Combined Single Limit
Scheduled Property- Electric Service Trucks & Aerial Ladders Aetna Casualty & Surety Co. 018IH5066505 FCA	1/1/89	1987 Chev. C-70 \$54,000/500 Deduct. 1980 Chev. C-60 \$20,000/500 Deduct.

Mountain Creek Lake Bridge maintained a very good traffic safety record during its ninth year of operation.

The bridge is policed under an Interagency Agreement with the Department of Public Safety (Highway Patrol). All costs of this service are underwritten by the Authority.

The Department of Public Safety and Authority records reveal the following information about traffic safety:

Vehicle trips	2,579,465
Vehicle miles	5,030,528
Non-injury accidents	1
Injury Accidents	3
Fatal accidents	1
Fatalities	1
Total accidents	5
Total accidents per 100 million miles	99.39
Fatal accidents per 100 million miles	19.88
Fatalities per 100 million miles	19.88

The Department of Public Safety records reveal the following information about enforcement:

Arrests:

Speeding	-
Improper turn	-
DWI	-
Miscellaneous	-
Total arrests	-
Warnings	-
Assistance rendered	-

MOUNTAIN CREEK LAKE BRIDGE
PROFESSIONAL OR CONSULTANT FEES

1988

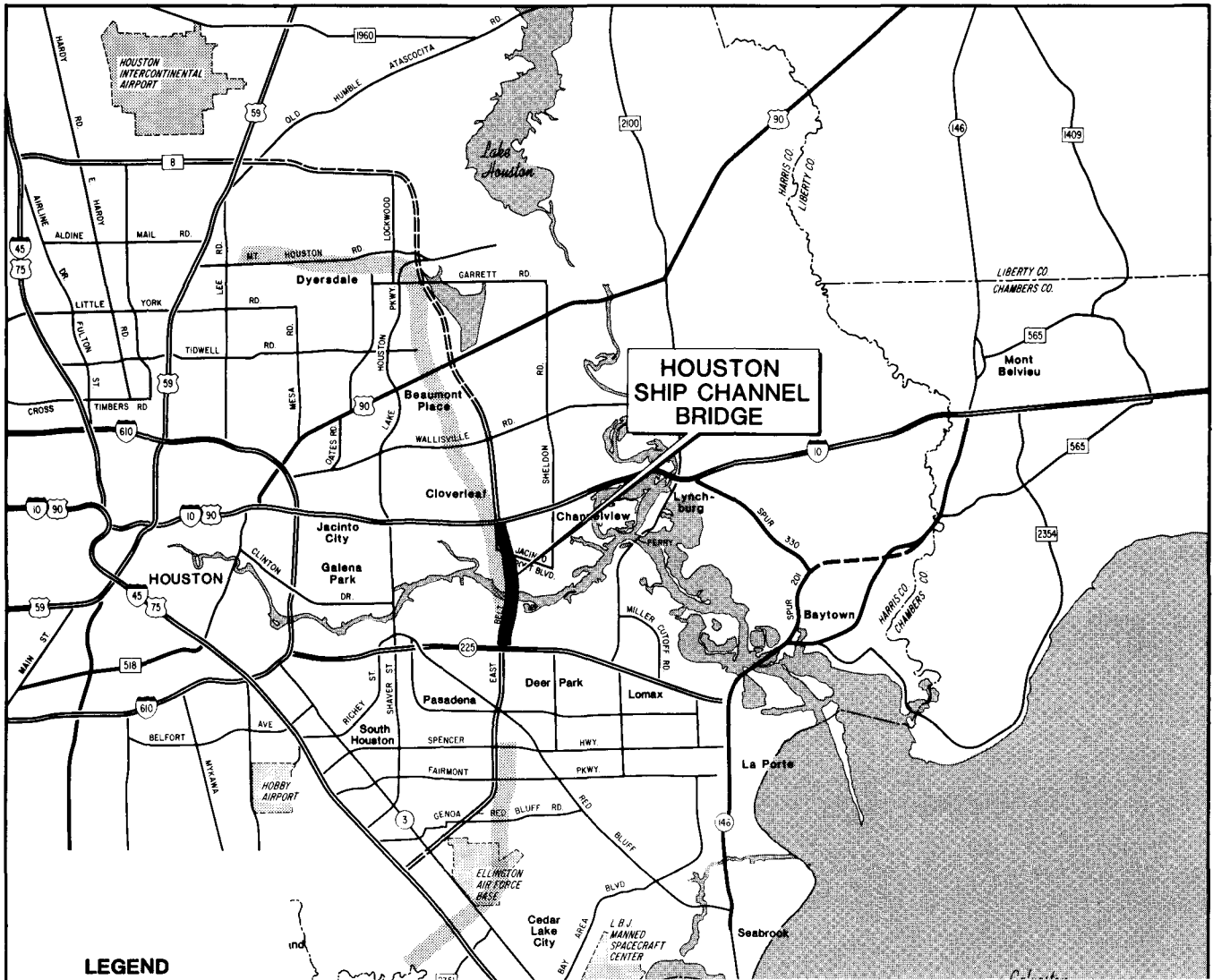
<u>PROFESSIONAL OR CONSULTANT</u>	<u>SERVICES RENDERED</u>	<u>FEES</u>
Howard, Needles, Tammen & Bergendoff	Consulting Engineering Services	\$ 2,400
Wilbur Smith Associates	Traffic Engineering Services	8,403
NCNB Texas National Bank	Trustee Services	5,250
Locke Purnell Rain Harrell	Legal Services	1,500
Peat Marwick Main & Co.	Financial Audit and Verification Services	15,100
DBG&H Unlimited Inc.	Public Information Services	265
Vinson & Elkins	Special Counsel Services	3,370
First Southwest Co.	Financial Advisory Services	1,500

VI. HOUSTON SHIP CHANNEL BRIDGE

The Houston Ship Channel Bridge in eastern Harris County, the fourth toll project to be built by the Authority, opened to traffic on May 6, 1982.

The bridge crosses the Houston Ship Channel approximately seven miles east of IH 610 midway between the Washburn Tunnel and the Lynchburg Ferry crossing. It extends from SH 225 on the south to IH 10 on the north, a distance of 4.2 miles along Beltway 8-East. The bridge has a main span of 750 feet providing an horizontal clearance of 700 feet between the main span piers and having a vertical clearance of 175 feet over the center of the Channel. The total length of the bridge and its approach spans is 10,500 feet. The main span is the longest post-tension concrete box girder bridge in the Americas. (See map on page 45.)

The bridge provides four 12-foot-wide traffic lanes, with two lanes of traffic in each direction, separated by a concrete median barrier. The project includes approaches, interchanges, a nine-lane toll plaza, an administration building, maintenance facilities, and a parking area.



Location Map with Beltway 8 Construction Status.

The bridge alleviates traffic congestion in the highly industrialized petrochemical complex along the Houston Ship Channel and serves both industrial and commuter traffic in the corridor.

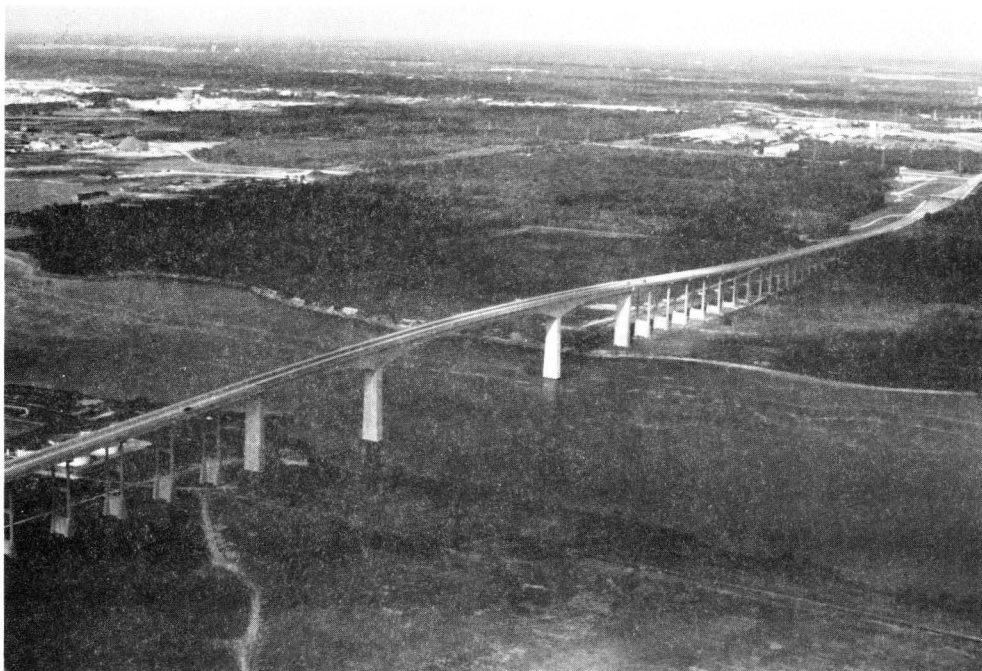
Importantly, the bridge provides a shortcut for vehicles prohibited from using the tunnels or ferry because of their sizes or cargoes.

Construction of the bridge was financed through the sale of revenue bonds in the principal amount of \$102 million, with a final maturity date of January 1, 2009. The bonds were sold in August 1978 and bear an effective interest rate of 7.54 percent.

In December 1985, the Authority sold the Texas Turnpike Authority Houston Ship Channel Bridge Junior Lien Revenue Refunding Bonds, Series 1985. The bond issue was in the initial principal amount of \$27,927,229.20, 12.625 percent convertible capital appreciation bonds, due January 1, 2020.

The 1985 bonds were issued to provide funds to effect the defeasance of a portion of the bonds and coupons of Houston Ship Channel Bridge Bonds, Series 1978, and pay financing costs and expenses related thereto in connection with the issuance of the 1985 bonds.

The refunding was undertaken to restructure the debt service on the prior lien bonds (Houston Ship Channel Bridge Revenue Bonds, Series 1978) to match more closely the anticipated net revenues of the bridge. Traffic and revenue experience on the bridge have fallen short of original forecasts made before the issuance of the prior lien bonds, (Houston Ship Channel Bridge Revenue Bonds, Series 1978). According to the Authority's Traffic Engineers, this is attributable to the delayed implementation of very critical portions of the Beltway 8 highway project, of which the bridge is a part, as well as the recent economic recession and current business conditions in the Houston area. As a result of this partial refunding, no debt service will be due and payable until January 1, 1989.



The Houston Ship Channel Bridge has a 1,500-foot main span which is the longest post-tensioned concrete box girder in the Americas.

In accordance with the Trust Agreement, the amount of \$2,145,000 was withdrawn by the Trustee on December 30, 1988, to retire bonds in the principal value of \$2,145,000 due and payable on January 1, 1989.

The bond debt will be retired from toll revenue paid by motorists choosing to use the bridge. Toll rates for passenger cars are \$1.25 and 75 cents per axle for three-axles or more. Since the revenue projected for calendar years 1986 and 1987 by the Authority's traffic engineer fell short of the amounts required by the toll covenant in Section 12 of the bond resolution, a required toll rate review was conducted which resulted in the Board's approval of an increase in tolls which went into effect March 1, 1987, as follows:

<u>Vehicle Toll Class</u>	<u>Vehicle Type</u>	<u>Toll</u>
1	Two-Axle Vehicle	\$ 1.25
3	Three-Axle Vehicles and Vehicle Combinations	2.25
4	Four-Axle Vehicles and Vehicle Combinations	3.00
5	Five-Axle Vehicles and Vehicle Combinations	3.75
-	Each Additional Axle	0.75

Toll revenue for 1988 was \$5,796,637 as compared to \$5,819,825 in 1987.

A budget of \$1,372,800 was approved by the Authority's Board for operation and maintenance in 1988, of which \$1,325,042 was spent, or 96.5 percent of the total amount budgeted.

In December 1988, a budget of \$1,459,740 was approved for expenditures in routine operation and maintenance of the bridge in 1989.

The State Department of Highways and Public Transportation has opened to traffic complete BW-8 frontage roads from IH 45 south to US 90 north. The remaining sections of the BW-8 frontage roads from US 90 to US 59 north, all under construction, have an anticipated completion date in 1990. The Authority's traffic and revenue engineer feels the completion of the Beltway 8 East frontage road system between IH 45 south and US 59 north is vital to continued revenue growth on the toll bridge, as well as is the yet undesigned direct high speed ramp connections between IH 45 south and BW8 East.

The trust agreement requires that the consulting engineers make recommendations concerning the annual budget. These recommendations, along with a report of the condition of the bridge and recommendations for insurance coverage, are presented in the consulting engineers' letter on the following pages.

The auditors' report is presented in Section VIII.

HOWARD NEEDLES TAMMEN & BERGENDOFF

February 10, 1989

Texas Turnpike Authority
P. O. Box 190369
Dallas, Texas 75219-0369

HOUSTON SHIP CHANNEL BRIDGE
Condition, Budget & Insurance

Gentlemen:

The Trust Agreement, which secures the Houston Ship Channel Bridge Revenue Bonds, Series 1978, each year requires the Texas Turnpike Authority's Consulting Engineers to furnish a report on the condition and operation of the Project. This report, contained herein, sets forth the following:

- o Their findings whether the Bridge has been maintained in good repair, working order, and condition.
- o Their advice and recommendations as to the proper maintenance, repair, and operation of the Bridge during the ensuing fiscal year and an estimate of the amount of money necessary for such purposes, including their recommendations as to the total amounts and classifications of items and amounts that should be provided for Current Expenses and the Reserve Maintenance Fund in the Annual Budget for the next ensuing fiscal year.
- o Their advice and recommendations as to the insurance to be carried under the provisions of Article VII of this Agreement.

In compliance with these requirements, maintenance inspections of the Bridge Project property were conducted by engineers of our staff in October 1988. These inspections included observation of the condition of the roadway and shoulders, drainage facilities, slopes, bridges, toll plaza, and lighting on the Project.

CONDITION

Inspections by our staff engineers of the Bridge facilities indicate that they remain in quite satisfactory condition. Effective and efficient maintenance by Turnpike Authority forces has kept inevitable problems in check, and routine systematic preventive maintenance keeps the entire project well groomed.

Architects Engineers Planners

14114 Dallas Parkway, Suite 630, Dallas, Texas 75240, 214 661-5626

Partners Gerard F. Fox PE, Charles T. Hennigan PE, Daniel J. Watkins PE, Daniel J. Spigai PE, John L. Cotton PE, Francis X. Hall PE, Robert S. Coma PE, Donald A. Dupies PE, William Love FAIA, Robert D. Miller PE, James L. Tuttle, Jr. PE, Hugh E. Schall PE, Cary C. Goodman AIA, Gordon H. Slaney, Jr. PE, Harvey K. Hammond, Jr. PE, Stephen G. Goddard PE, John W. Wight, Jr. PE

Associates Don R. Ort PE, Kendall T. Lincoln CPA, Roberts W. Smithem PE, Richard D. Beckman PE, Harry D. Bertossa PE, Ralph E. Robison PE, Cecil P. Counts PE, Stanley I. Mast PE, Robert W. Anzia PE, Walter Sharko PE, James O. Russell PE, Ross L. Jensen AIA, Frank T. Lamm PE, Ronald W. Aarons AIA, H. Jerome Butler PE, Blaise M. Carriere PE, Michael P. Ingardia PE, Bernard L. Prince PE, Stephen B. Quinn PE, Saul A. Jacobs PE, Ewing H. Miller FAIA, Douglas C. Myhre PE, Carl J. Mellea PE, Daniel F. Becker PE, Richard L. Farnan AIA, Donald P. Keuth PE, Douglas E. Prescott PE, Ronald L. Harje PE, Robert W. Luscombe PE, Thomas L. Williams AIA, Dennis E. Conklin PE, John E. Kupke PE, Rodney P. Pello PE, Steven M. Reiss AIA

Offices Alexandria, VA, Atlanta, GA, Austin, TX, Baton Rouge, LA, Boston, MA, Charleston, WV, Chicago, IL, Cleveland, OH, Dallas, TX, Denver, CO, Fairfield, NJ, Hartford, CT, Houston, TX, Indianapolis, IN, Irvine, CA, Kansas City, MO, Lexington, KY, Lexington, MA, Los Angeles, CA, Miami, FL, Milwaukee, WI, Minneapolis, MN, Nashua, NH, New York, NY, Orlando, FL, Overland Park, KS, Philadelphia, PA, Phoenix, AZ, Raleigh, NC, Seattle, WA, Tampa, FL, Tulsa, OK, Wilmington, DE

Detailed notes of items requiring the attention of Bridge maintenance personnel were recorded during our inspections. A summary of these notes and recommendations concerning remedial measures are furnished to the Authority in a separate Report of Inspection.

BUDGET

A preliminary budget of funds for the anticipated expenditures of operation and maintenance of the Bridge Project during 1989 was prepared by the administrative staff of the Authority. The classification of budget items are the same as recommended for other projects of the Authority. HNTB reviewed and recommended approval of the preliminary budget which was finally approved and adopted by the Board on December 8, 1988.

The budget anticipates expenditures totaling \$1,459,740 for normal operating expenses during 1989. This compares to \$1,372,800 allocated for these expenses during 1988, and represents an increase of 6.3% in the total operating budget.

The single greatest element of the operation and maintenance costs is attributable to salaries, wages, and related retirement contributions. These amount to \$1,004,610, or about 69% of the total 1989 budget, an increase of 12% above the 1988 budget allocation. This increase primarily represents the need for additional personnel in the Toll Collection Department. Salary and wage rates follow those stipulated under the State Employee Classification Plan.

The budget makes no provision for a deposit to the Reserve Maintenance Fund during 1989 since the required balance in this fund has been attained in accordance with Section 507 of the Trust Indenture.

Our review of the budget indicates that it should provide for all anticipated items of expense during 1989, and it is our opinion that the budget will be sufficient to continue the level of service and maintenance of the Project which has been established by the Authority. A summary of the budget is shown in the attached tabulation.

INSURANCE

A Schedule of Insurance provided on the property and operation of the Bridge for the year 1988 is attached. In the interest of economy, several of the policies also provide coverage for facilities of the Bridge and the Dallas North Tollway Projects.

Use and Occupancy insurance, provided to protect against loss of operation revenues, in the face amount of \$8,350,000 was in effect at year's end. This coverage is provisional and extends to 125% of the face amount.

Texas Turnpike Authority
Dallas, Texas 75219-0369

-3-

Houston Ship Channel Bridge
February 10, 1989

Fire and Extended Coverage insurance in the total amount of \$850,000 was in effect on the Bridge Project buildings and an additional \$85,000 on their contents for 1988.

Bridge Property Damage insurance covers the main channel structure, including north and south approaches, and the bridge over Jacintoport Boulevard. The 1988 estimated replacement cost less depreciation was as follows for the respective bridges:

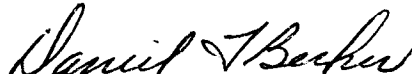
Mainspan & Approaches	\$41,752,000
Jacintoport Boulevard	\$ 1,896,000

Other insurance in effect at year's end included Comprehensive General Liability, Workers Compensation, and Liability Coverage on automobiles and electric service trucks. Honesty Blanket and Comprehensive Dishonesty and Disappearance and Destruction Bonds are in effect on all employees, and a Public Official Bond covers the Secretary-Treasurer of the Authority.

It is our opinion that this program of insurance coverage complies with all requirements of the Trust Agreement and is in accord with good business practices.

Very truly yours,

HOWARD NEEDLES TAMMEN & BERGENDOFF


Daniel F. Becker, P.E.
Associate

DFB/cs

Enc.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE
SUMMARY OF 1989 ANNUAL BUDGET

ADMINISTRATION

Administration	\$183,740	
Accounting	41,130	
Data Processing	21,340	
Insurance	<u>171,000</u>	
Subtotal		\$ 417,210

OPERATIONS

Toll Collection	601,030	
Engineering & Maintenance	--	
Utilities	51,500	
Traffic Control	<u>390,000</u>	
Subtotal		<u>1,042,530</u>

TOTAL BUDGETED OPERATING EXPENSE		\$1,459,740
----------------------------------	--	-------------

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE
SCHEDULE OF INSURANCE

Sheet 1 of 2

POLICY DESCRIPTION, CO. & NO.	TERM EXPIRES	AMOUNT OF COVERAGE
<u>Bridge Property Damage</u> Lloyds Insurance Brokers NGG401	1/1/90	Mainspan \$ 41,752,500 Jacintoport Blvd. \$1,896,250
<u>Use & Occupancy</u> Lloyds Insurance Brokers NGG401	1/1/90	\$ 8,350,000
<u>Building & Contents</u> Aetna Casualty & Surety Co. 018 TCP 5069100 FCA	1/1/89	
1515 East Belt, Near Houston		Building \$301,000 Contents \$ 40,000
1515 East Belt, Toll Plaza, Houston		Building \$364,000
1631 East Belt, Near Houston		Building \$185,000 Contents \$ 45,000
<u>Comprehensive General Liability</u> Aetna Casualty & Surety Co. 018 GL 5069100 CCS	1/1/89	Combined Single Limit - \$1,000,000
<u>State Employees Group Health & Life - Statutory</u> Blue Cross - Blue Shield - 38000	9/1/87	Health, \$1,000,000 Lifetime Maximum - \$4,000 Life - \$4,000 AD & D
<u>Worker's Compensation</u> Chilton Insurance Co. C6259	1/1/89	\$500,000
<u>Comprehensive Dishonesty, Disappearance & Destruction Bond</u> Aetna Casualty & Surety Co. 018BY100340446	1/1/90	Loss Inside Premises - \$100,000 Loss Outside Premises - \$100,000 Counterfeit Money - \$1,000 Depositors Forgery - \$10,000

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE
SCHEDULE OF INSURANCE

Page 2 of 2

<u>POLICY DESCRIPTION, CO. & NO.</u>	<u>TERM EXPIRES</u>	<u>AMOUNT OF COVERAGE</u>
<u>Public Official - Secretary Treasurer</u> Aetna Casualty & Surety Co. Bond # 018 S 75964 BCA	1/1/89	\$50,000
<u>Public Employees Honesty Blanket Bond</u> Aetna Casualty & Surety Co. Bond # 018 F 100340662	1/1/90	\$50,000
<u>Comprehensive Auto Liability</u> Aetna Casualty & Surety Co. 018 FJ 809873 CCA	1/1/89	Combined Single Limit - \$1,000,000
<u>Scheduled Property - Electric Service Trucks & Aerial Ladders</u> Aetna Casualty & Surety Co. 018 IH 5066505 FCA	1/1/89	1987 Chev. C-70 54,000/500 Deduct. 1980 Chev. C-60 20,000/500 Deduct.

The bridge is policed under an Interagency Agreement with the Department of Public Safety (Highway Patrol). All costs of this service are underwritten by the Authority. The bridge project maintained an excellent safety record during the year as indicated by the following statistics:

Vehicle trips	4,185,010
Vehicle miles	17,660,674
Non-injury accidents	13
Injury accidents	4
Fatal accidents	0
Fatalities	0
Total accidents	17
Total accidents per 100 million miles	96.26
Fatal accidents per 100 million miles	0
Fatalities per 100 million miles	0

The Highway Patrol's records reveal the following information about enforcement:

Arrests:

Speeding	38
Improper turn	0
DWI	17
Miscellaneous	146
 Total arrests	 201
Warnings	182
Assistance rendered	263

HOUSTON SHIP CHANNEL BRIDGE
PROFESSIONAL OR CONSULTANT FEES

1988

<u>PROFESSIONAL OR CONSULTANT</u>	<u>SERVICES RENDERED</u>	<u>FEES</u>
Howard, Needles, Tammen & Bergendoff	Consulting Engineering Services	\$12,000
Wilbur Smith Associates	Traffic Engineering Services	4,600
First City National Bank of Houston	Trustee Services	17,000
Vinson & Elkins	Special Counsel	6,739
First Southwest Co.	Financial Advisory Services	3,000
Peat, Marwick, Mitchell & Co.	Financial Audit	16,300
Jose Correa, Inc.	Management Services	22,815
DBG&H Unlimited Inc.	Public Information Services	5,640
Profiles International, Inc.	Personnel and Management Services	1,805
Wayne G. Mulloy, M.D.	Medical Services	325

VII. OTHER PROJECTS

TRINITY TURNPIKE SYSTEM

In 1986, the Authority received resolutions from seven north Texas local government agencies requesting it to perform corridor analyses to determine if feasibility could be found to construct a new turnpike system in the Trinity River Valley in Dallas and Tarrant Counties. In August 1987, the State Highway and Public Transportation Commission authorized the Authority's expenditure of funds from the legislatively established Texas Turnpike Authority Feasibility Study Fund necessary to perform such studies.

Accordingly, the Authority retained its consulting civil and traffic engineers to perform, initially, an exploratory study to determine whether it appears feasible to finance and construct all or part of such a turnpike through the sale of revenue bonds backed solely by the collection of tolls from the users. The engineers began assembling data for the study in November 1986 and initial civil and environmental reports were issued in December 1987, accompanied by preliminary traffic and revenue projections. The proposed toll highway is identified as the Trinity Turnpike System and consists of three components: The Trinity Turnpike (the spine of the system), the West Fork Branch, and the Elm Fork Branch.

After studying a number of alternate routes and configurations, the report identified the most feasible environmentally compatible route beginning at the intersection of US 75 and US 175 southeast of the Dallas CBD and continuing along the east side of the Trinity River through the central part of the City of Dallas, bending westward just north of Dallas CBD, then continuing along the east side of the river to the confluence of the West and Elm Forks of the Trinity River. At this point, the turnpike would fork with one branch, the West Fork, continuing westward along the south side of the river through Irving, Grand Prairie, and Arlington into Fort Worth to an intersection with SH 121. The other branch, the Elm Fork, would continue north along the east side of the Elm Fork of the Trinity River through Irving, Farmers Branch, and Carrollton to connect with IH 35E at the point where proposed SH 190 will terminate.

The Civil Engineering assessment reports that the entire project could be constructed at a cost of \$1,082,000,000, with the Trinity spine segment having a cost of \$263,400,000 incurred over a length of 10.5 miles; the West Fork route, \$502,400,000 over a distance of 20 miles; and the Elm Fork route, \$316,550,000 over a distance of 13.5 miles.

The high cost reflected in these construction estimates are produced by the corridor environment of the Trinity Turnpike System. Extensive portions of the segments pass over floodways, floodplains, and major thoroughfares, thereby requiring extensive use of bridges of unusual height and length. Special engineering measures have been introduced into the cost estimates to mitigate damage to the sensitive environment through which the three segments pass.

At the development cost estimated, the traffic and revenue engineers verbally reported in 1987 that the project cannot be financed and be self-sustaining through tolls without infusion of capital from sources heretofore unavailable to the Authority. Turnpike projects having a toll rate greater than 10 cents per mile have not been successful, and to finance this project solely through capital produced by Authority revenue bonds would require a toll rate significantly more than 10 cents per mile.

Based on the financial and cost assessments received in December 1987, the Board authorized the Turnpike Authority's staff to investigate the project further to see if it could be broken into smaller segments that would prove to be feasible or near feasible. As a result of this action, two supplemental agreements to the original contract with the Authority's consulting civil and traffic engineers were executed in 1988. The studies authorized therein were completed and final reports were

published for the Exploratory Investigation of the Trinity Turnpike System in both the civil engineering and the traffic and revenue aspects in October 1988.

Five different configurations for individual segments of the Trinity Turnpike System were identified and analyzed as to construction costs and traffic and revenue those truncated alternates would yield. The two final reports issued identified in detail each of the alternate configurations and provided a summary of their costs and financial feasibility. The truncated project indicated as alternate 6-1 in the Civil Engineering Report (designated supplemental project 7.1 in the traffic and revenue assessment report) proved to be the most financially successful configuration.

In attempting to leverage funds to the greatest extent possible, it was assumed that alternate 6-1 would have its southern portion of the Trinity Spine Segment constructed by agencies other than the Texas Turnpike Authority. As in the initial studies, the Trinity Spine Segment would begin at the intersection of US 75 with US 175 and continue along the east levee of the Trinity River to Woodall Rogers Freeway (SH 366). At this point, the Texas Turnpike Authority would assume financing, construction, operation, and maintenance of the remaining portion of the Trinity Turnpike System, whose Elm Fork Route would temporarily terminate with a connection to IH 35E north near Bachman Creek and whose West Fork Segment would temporarily terminate at SH 360 in Arlington.

This most attractive of all the different configurations analyzed has a total project cost of \$489,000,000 over a length of 21.5 miles. For financial analysis, 1993 was assumed to be its first calendar year of operation. In that year, the turnpike would generate gross revenues of \$34,044,000, yielding a debt service coverage of only 0.47. In the design year of 2012, the turnpike would generate gross revenues of \$63,732,000, while yielding a debt service coverage of 0.89.

Over a period of eighteen months, the Trinity Turnpike System has been extensively analyzed by the best international experts in the toll highway field. Even though the project is considered to be a badly needed highway addition for the North Texas area in the next century, it appears the Texas Turnpike Authority will not be able to construct and operate the project under the financing resources it has available at this time.

As reported in the 1987 Annual Report, several governmental agencies have asked the Authority to advance the engineering to identify the exact right-of-way the Trinity Turnpike System would require so that various jurisdictional governmental agencies would have the technical information necessary to protect the project right-of-way, subject to their exercising their options, for future construction of the Trinity Turnpike System by either the Texas Turnpike Authority, other agencies, or a combination of agencies.

Under the financial projections made in the Initial Exploratory Feasibility Assessment of the Proposed Trinity Turnpike System, it is not prudent for the Texas Turnpike Authority to invest more of its limited feasibility study funds in the project. Accordingly, the Authority's staff has advised the various interested agencies that those agencies must develop their own funding to advance the engineering sufficient to identify and monument the right-of-way of the Trinity Turnpike System on the ground. At the end of 1988, several were evaluating the funding of those required engineering services, which is estimated to be \$200,000. The Texas Turnpike Authority has no current plans to fund additional efforts on the Trinity Turnpike System.

SOUTHWEST TURNPIKE

During 1987, the Authority received resolutions from the City of Fort Worth and the Tarrant County Commissioners' Court requesting it to perform an initial feasibility assessment on a toll highway to be called the Southwest Turnpike. In August 1987, the State Highway and Public Transportation Commission authorized the Authority's expenditure of funds from the legislatively established Texas Turnpike Authority Feasibility Study Fund necessary to perform such studies. The Authority retained its consulting civil and traffic and revenue engineers to

perform an initial feasibility assessment to determine whether it appeared possible to finance and construct all or part of such a turnpike through the sale of revenue bonds backed solely by the collection of tolls from the projected users. The engineers were issued a notice to proceed with the studies in September 1987.

The proposed exploratory assessment corridor was along a route commencing at the IH 35W/SH 121 intersection north of the central business district of Fort Worth near the West Fork of the Trinity River, continuing westward and southwestward around the north edge of the Fort Worth CBD to interchange with IH 30, then continuing in a south and southwesterly direction to a terminus with IH 20, a total distance of 9.2 miles. The base study was divided into three segments for detailed analyses: the entire route as previously described, the northern loop between IH 35W and IH 30 (3.7 miles), and the southwest component between IH 30 and IH 20 (5.5 miles).

The final civil engineering and traffic and revenue exploratory investigations were completed and issued in May 1988. After studying the alternates, those reports projected that the most attractive project was the full project identified in the original concept, plus a 4-mile southerly extension south of IH 20 to Alta Mesa Drive. The project was shown to have a total cost of \$368,300,000. The first full calendar year of turnpike operation was projected to be 1996, in which year the

project would generate \$15,564,000 in gross revenues and yield a debt service coverage of only 0.22. In the design year of 2015, the turnpike would yield gross revenues of \$23,167,000, yielding a debt service coverage of 0.20. Under current capitalization methods available, the Authority cannot finance the project and is not pursuing the project further.

BELTWAY 8 EAST

In 1987, the U.S. Congress passed, and the President signed, the Surface Transportation and Uniform Relocation Assistance Act of 1987. The act included a provision permitting seven states to identify and apply for federal assistance to construct a pilot toll highway project. Texas is one of those states. The State Highway and Public Transportation Commission applied for Beltway 8 east and south in Harris County to be Texas' candidate project. The project limits would be between US 59 south and US 59 north around the eastern periphery of Houston. The Federal Highway Administration approved the Commission's request in December 1987. The Transportation Act provides that the United States Government could contribute up to 35 percent of the capital cost of such a pilot project.

As required by law, the Texas State Department of Highways and Public Transportation authorized the Turnpike Authority to make an initial feasibility assessment of the entire Beltway 8 project. Because of the level of development in southern and eastern Harris County, the Authority elected to divide the project into two segments, Phase 1 and Phase 2. Phase 1 is currently being pursued and has been identified as a 26-mile project between IH 45 south and US 59 north.

In April 1988, the Board of Directors of the Texas Turnpike Authority authorized execution of agreements with two consulting engineering firms to perform initial civil engineering and traffic and revenue assessments of Phase 1 of the Beltway 8 East project. Both reports were completed and issued in September 1988.

The 26-mile Phase 1 project was found to have an estimated cost of \$197,611,000. It was projected that the first full year of operation would be 1995. The traffic and revenue engineer predicted that in that year gross toll revenues of \$22,916,000 would be collected, yielding a debt service coverage of 0.89 but would increase to 1.09 for 1997. In the design year 2010, the gross toll revenue was estimated to be \$44,867,000, yielding a debt service coverage of 1.73. In each instance, the debt service coverage ratios were calculated by utilizing the available 35 percent federal funding assistance. While opening year

debt coverage was somewhat deficient, the 2010 design year coverage of 1.73 reflects a financially viable project.

Accordingly, in December 1988, the Board of Directors of the Texas Turnpike Authority, having previously secured the approval of the State Highway Commission, authorized full-scale civil engineering and traffic and revenue investment grade financial analyses. At December 31, 1988, details of contracts between the two consulting engineers and the Texas Turnpike Authority were being negotiated. Both contracts will be finalized and notices to proceed will be issued in January 1989. Results of the thorough investigation of the feasibility of the project should be reported prior to September 1989.

TEXAS HIGH SPEED RAIL STUDY

The 70th Texas Legislature enacted House Bill 1678, directing that the Authority perform a study to determine the feasibility of constructing and operating high speed rail facilities to connect the "Texas Triangle" cities of Houston, Dallas, Fort Worth, Austin, and San Antonio. A report of findings, including specific legislative recommendations, was to be filed with the Governor, the Lieutenant Governor, and the Speaker of the House.

On March 10, 1988, the Authority contracted with the firm of Lichliter/Jameson & Associates ("Lichliter"). This Houston-based engineering company was selected as the

manager of a consulting team comprising Lichliter; Wilbur Smith Associates; Morrison-Knudsen Engineers, Inc.; M. Ray Perryman Consultants, Inc.; Sylva Engineering Corporation; Andrews & Kurth; and Underwood, Neuhaus & Co., Incorporated, responsible for performing the study.

The consulting team was directed to concentrate on developing (1) accurate forecasts of estimated ridership and revenues (2) a financial plan, and (3) estimates of the economic impacts arising from the construction and operation of such a high speed rail system.

At the close of 1988, work on the feasibility study was nearing completion. Study findings were being finalized and prepared for printing in early 1989. The study is scheduled to be presented to the Governor, Lieutenant Governor, and Speaker of the House on February 15, 1989.

SUMMARY

In 1988, the Texas Turnpike Authority made significant progress toward becoming a true statewide agency, capable of assisting the State of Texas in solving myriad transportation issues.

The emphasis on upgrading the professional staff, as mandated by the Board of Directors, has produced a new vitality within the Authority to position the agency to be even more responsive to the needs of the Texas public.

The Texas Turnpike Authority, in close cooperation with the State Department of Highways and Public Transportation, is moving forward to provide new answers to transportation challenges. We anticipate 1989 to be landmark year for the Authority.

TEXAS TURNPIKE AUTHORITY FEASIBILITY STUDY FUND

PROFESSIONAL OR CONSULTANT FEES

1988

<u>PROFESSIONAL OR CONSULTANT</u>	<u>SERVICES RENDERED</u>	<u>FEES</u>
Howard, Needles, Tammen & Bergendoff	Consulting Engineering Services	\$111,906
Wilbur Smith Associates	Traffic Engineering Services	65,759
NCNB Texas National Bank	Trustee Services	500
Locke Purnell Rain Harrell	General Counsel	92,805
Vinson & Elkins	Special Counsel	85,788
Jose Correa Inc.	Management Services	783
Peat Marwick Main & Co.	Financial Audit	3,500
TC&B/BJI	Engineering & Revenue Potential Assessment	50,000
Lichliter/Jameson & Associates, Inc.	High Speed Rail Feasibility Study	664,020

DALLAS-FORT WORTH TURNPIKE TRANSITION TRUST FUND

PROFESSIONAL OR CONSULTANT FEES

1988

<u>PROFESSIONAL OR CONSULTANT</u>	<u>SERVICES RENDERED</u>	<u>FEES</u>
NCNB Texas National Bank	Trustee Services	\$ 750
Peat, Marwick, Main & Co.	Financial Audit	3,500

VIII. AUDITOR'S REPORT

1. Dallas North Tollway
2. Mountain Creek Lake Bridge
3. Houston Ship Channel Bridge
Fund, Dallas-Fort Worth Feasibility Study Fund,
Dallas-Fort Worth Turnpike Transition Trust Fund
and Equipment Account

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
DECEMBER 31, 1988
(WITH INDEPENDENT AUDITORS' REPORT THEREON)



Certified Public Accountants

Peat Marwick Main & Co.

Suite 1400
Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

INDEPENDENT AUDITORS' REPORT

Board of Directors
Texas Turnpike Authority:

We have audited the accompanying statement of financial condition of Dallas North Tollway of the Texas Turnpike Authority as of December 31, 1988, and the related statements of revenues and expenses and changes in fund equity for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements are not intended to be a presentation in conformity with generally accepted accounting principles in that depreciation of the Tollway and related facilities is not provided and interest is capitalized for one year after official completion. However, the statements were prepared on the basis of accounting practices set forth in the provisions of the Trust Agreement for the Dallas North Tollway revenue bonds, dated November 1, 1985, as interpreted by the Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Dallas North Tollway of the Texas Turnpike Authority at December 31, 1988 and its revenues and expenses and the changes in its fund equity for the year then ended, on the basis of accounting described in note 1.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Peat Marwick Main + Co.

February 24, 1989

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1988

<u>Assets</u>	<u>Total (memorandum only)</u>	<u>Construction and Property Fund</u>
Cash (note 2)	\$ 1,865,779	100,000
Investments at cost (note 2)	73,004,630	42,825,124
Accrued earnings receivable on investments	1,708,341	681,138
Interfund receivables	806,684	-
Interproject receivables:		
Due from Dallas-Fort Worth Turnpike Transition Trust Fund	4,032	-
Due from TTA Feasibility Study Fund	10,094	-
Due from Mountain Creek Lake Bridge	34,957	-
Due from Houston Ship Channel Bridge	94,491	-
Notes receivable	493,945	493,945
Accounts receivable	897,457	847,653
Inventory of supplies at average cost	74,202	-
Prepaid expenses	53,734	-
Capitalized costs (note 3):		
Dallas North Tollway	35,190,854	35,190,854
Dallas North Tollway Extension	200,686,989	200,686,989
Other property and equipment	1,059,342	1,059,342
Total capitalized costs	<u>236,937,185</u>	<u>236,937,185</u>
	<u>\$ 315,985,531</u>	<u>281,885,045</u>
<u>Liabilities</u>		
Vouchers payable	\$ 44,125	-
Accounts payable	968,280	598,448
Retained from contractors	1,114,151	1,114,151
Interfund payables	806,684	12,705
Recurring accrued liabilities	263,523	14,600
Deferred income from damage claims	6,796	-
Notes payable	6,625,000	6,625,000
Accrued interest on notes payable	464,275	464,275
Dallas North Tollway revenue bonds payable (note 4)	<u>208,060,000</u>	<u>208,060,000</u>
	<u>218,352,834</u>	<u>216,889,179</u>
<u>Fund Equity</u>		
Contributed capital	5,960,574	5,960,574
Fund balances	<u>91,672,123</u>	<u>59,035,292</u>
	97,632,697	64,995,866
Commitments and contingencies (notes 4, 5 and 6)		
	<u>\$ 315,985,531</u>	<u>281,885,045</u>

See accompanying notes to financial statements.

Exhibit A

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Surplus Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
614,791	1,122,987	28,001	-	-	-	-
-	376,229	1,905,923	7,676,873	-	20,220,481	-
8,219	2,501	14,023	216,526	-	785,934	-
-	13,252	-	629,510	-	163,922	-
-	4,032	-	-	-	-	-
-	10,094	-	-	-	-	-
-	34,957	-	-	-	-	-
-	94,491	-	-	-	-	-
-	-	-	-	-	-	-
6,505	43,299	-	-	-	-	-
-	74,202	-	-	-	-	-
-	53,734	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>629,515</u>	<u>1,829,778</u>	<u>1,947,947</u>	<u>8,522,909</u>	<u>-</u>	<u>21,170,337</u>	<u>-</u>
-	44,125	-	-	-	-	-
-	346,173	9,897	12,745	-	1,017	-
-	-	-	-	-	-	-
629,515	-	542	163,922	-	-	-
-	248,923	-	-	-	-	-
-	6,796	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>629,515</u>	<u>646,017</u>	<u>10,439</u>	<u>176,667</u>	<u>-</u>	<u>1,017</u>	<u>-</u>
-	-	-	-	-	-	-
-	1,183,761	1,937,508	8,346,242	-	21,169,320	-
-	1,183,761	1,937,508	8,346,242	-	21,169,320	-
<u>629,515</u>	<u>1,829,778</u>	<u>1,947,947</u>	<u>8,522,909</u>	<u>-</u>	<u>21,170,337</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	<u>1988</u>	<u>1987</u>
Revenues:		
Toll revenues	\$ 24,797,678	19,054,949
Earnings from investments	5,984,028	5,240,085
Other	9,577	2,121
Gross revenues	<u>30,791,283</u>	<u>24,297,155</u>
Operating expenses:		
Administration:		
General administration	536,852	457,690
Accounting	93,574	85,747
Data processing	53,735	47,688
Insurance	469,992	282,956
	<u>1,154,153</u>	<u>874,081</u>
Operations:		
Toll collection	3,013,491	2,485,954
Engineering and maintenance	721,972	558,897
Utilities	224,922	161,063
Traffic control	745,879	705,098
	<u>4,706,264</u>	<u>3,911,012</u>
Total operating expenses	<u>5,860,417</u>	<u>4,785,093</u>
Net revenues for debt service	24,930,866	19,512,062
Interest on bonded debt:		
Bond interest	18,310,385	18,310,385
Bond discount amortized	141,915	141,915
	<u>18,452,300</u>	<u>18,452,300</u>
Reserve maintenance fund expenses	428,960	220,218
Net revenue	<u>\$ 6,049,606</u>	<u>839,544</u>

See accompanying notes to financial statements.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

STATEMENT OF CHANGES IN FUND EQUITY

YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	Construction and Property Fund
Fund equity December 31, 1987	\$ <u>75,637,232</u>	<u>47,108,428</u>
Gross revenues	30,791,283	3,318,520
Operating expenses	(5,860,417)	-
Bond interest expense	(18,452,300)	(141,915)
Reserve Maintenance Fund expenses	<u>(428,960)</u>	<u>-</u>
Net revenues	<u>6,049,606</u>	<u>3,176,605</u>
Interfund transactions:		
Distribution from Revenue Fund	-	-
Interfund transfers	-	-
Capitalized costs transferred to Construction & Property Fund	-	171,639
Capitalization of bond interest expense in excess of investment earnings	15,133,779	15,133,779
Transfer of earnings from Construction Fund in payment of bond interest	-	(1,401,165)
Contributed Capital - Town of Addison	835,733	835,733
Cost of equipment retired	(29,153)	(29,153)
Equity realized from sale or trade-in of equipment	<u>5,500</u>	<u>-</u>
Net changes during year	<u>21,995,465</u>	<u>17,887,438</u>
Fund equity December 31, 1988	\$ <u>97,632,697</u>	<u>64,995,866</u>

See accompanying notes to financial statements.

Exhibit C

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Surplus Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
-	1,029,060	1,696,456	5,868,288	-	19,935,000	-
24,876,080	26,400	155,406	486,894	246,450	1,681,533	-
-	(5,860,417)	-	-	-	-	-
-	-	-	-	(18,310,385)	-	-
-	-	(428,960)	-	-	-	-
<u>24,876,080</u>	<u>(5,834,017)</u>	<u>(273,554)</u>	<u>486,894</u>	<u>(18,063,935)</u>	<u>1,681,533</u>	<u>-</u>
(25,323,293)	5,988,718	668,000	2,003,805	16,662,770	-	-
447,213	-	-	-	-	(447,213)	-
-	-	(158,894)	(12,745)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,401,165	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,500	-	-	-	-
-	154,701	241,052	2,477,954	-	1,234,320	-
<u>-</u>	<u>1,183,761</u>	<u>1,937,508</u>	<u>8,346,242</u>	<u>-</u>	<u>21,169,320</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

(1) Organization and Summary of Significant Accounting Policies

The Texas Turnpike Authority (Authority) is an agency of the State of Texas authorized and empowered by the Texas Turnpike Authority Act (Act) to construct, maintain, repair and operate turnpike projects at such locations within the State as may be determined by the Authority, subject to approval as to location by the State Highway and Public Transportation Commission. The Authority is further authorized to issue turnpike revenue bonds, payable solely from tolls and other revenue of the Authority, for the purpose of paying all or any part of the cost of a turnpike project. Under the provisions of the Act, these revenue bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State of Texas or of any political subdivision thereof.

The accounts of the Dallas North Tollway are maintained in accordance with the practices set forth in the provisions of the Trust Agreement for the Dallas North Tollway Revenue Bonds, as interpreted by the Authority. These practices are the same as generally accepted accounting principles except that depreciation of the Tollway and related facilities is not included as an operating expense or otherwise provided and interest is capitalized for one year after official completion as allowed by State law, rather than being reflected as an expense. The practice of not providing for depreciation is followed by other turnpikes and toll facilities. Adequate monies are available in the Reserve Maintenance Fund and the Surplus Fund to provide for replacement of or additions to equipment or facilities as needed.

The capitalized cost of the Dallas North Tollway is stated at cost which includes interest paid prior to, during and one year subsequent to construction less retired assets and income earned from investments, in accordance with the terms of the Trust Agreement.

The various funds which are required by the Trust Agreement are grouped as follows in the financial statements:

- Construction and Property Fund - The Construction and Property Fund was created to account for that portion of the proceeds from the sale of the Dallas North Tollway Revenue Bonds which were required to be deposited with the trustee in order to pay all costs of construction. There also may be deposited in the Construction and Property Fund any monies received from any other source for paying the cost of the Tollway.

(Continued)

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

NOTES TO FINANCIAL STATEMENTS

- Revenue Fund - The Revenue Fund was created to account for all revenues (all tolls, other revenues and income) arising or derived by the Authority from the operation and ownership of the Tollway. All revenues of this fund are distributed to other funds in accordance with the Trust Agreement.
- Operations and Maintenance Fund - The Operations and Maintenance Fund was created to account for and pay current operating expenses of the Tollway.
- Reserve Maintenance Fund - The Reserve Maintenance Fund was created to account for those expenses of maintaining the Tollway which do not recur on an annual or shorter basis. As defined in the Trust Agreement such items include repairs, painting, renewals and replacements necessary for safe or efficient operation of the Tollway or to prevent loss of revenues, engineering expenses relating to the functions of the Authority, equipment, maintenance expenses and operating expenses not occurring at annual or shorter periods.
- Surplus Fund - The Surplus Fund was created to account for the cost of repairs, enlargements, extensions, resurfacing, additions, renewals, improvements, reconstruction and replacements, capital expenditures, engineering and other expenses relating to the powers or functions of the Authority in connection with the Tollway, or for any other purpose now or hereafter authorized by law.
- Bond Interest Account - The Bond Interest Account was created to account for the payment of the semiannual interest requirements of the revenue bonds.
- Reserve Account - The Reserve Account was created for the purpose of paying interest on and principal of the bonds whenever and to the extent that the monies held for the credit of the Bond Interest Account and the Redemption Account shall be insufficient for such purpose.
- Redemption Account - The Redemption Account was created to account for the payment of the annual principal requirements of the revenue bonds.

(Continued)

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

NOTES TO FINANCIAL STATEMENTS

The Authority also operates the Houston Ship Channel Bridge and Mountain Creek Lake Bridge, which are separate entities under law, and for which separate individual financial statements are prepared in accordance with trust agreements. In addition, financial statements are prepared to present the accounts of the Dallas-Fort Worth Turnpike Transition Trust Fund, the Feasibility Study Fund and the Equipment Account.

(2) Cash and Investments

The Authority, in accordance with the Trust Agreement, is authorized to invest in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States government, indirect obligations of the United States of America such as bonds or other obligations issued by any Federal agency, or other investments authorized by the Authority provided they are collateralized by Federal government backed securities.

Cash and investments at December 31, 1988 consisted of the following, with interest yields ranging from 7.798% to 9.121%:

	<u>Cost</u>	<u>Market</u>
Cash	\$ 1,865,779	1,865,779
Money market secured by Federal securities	13,707,951	13,707,951
U.S. Treasury notes	40,948,385	40,072,999
Repurchase agreements secured by Federal securities	11,096,300	11,096,300
FHLB discount notes	1,291,854	1,258,893
FHLMC discount notes	5,731,543	5,670,713
FFCB discount notes	228,597	227,402
	\$ <u>74,870,409</u>	<u>73,900,037</u>

At December 31, 1988, cash in excess of FDIC insurance and repurchase agreements were fully collateralized in accordance with the Trust Agreement. All cash, investments and collateral are held by the Authority's Trustee, in the Authority's name.

(3) Construction and Property

Included in the capitalized costs of the Construction and Property Fund, in accordance with the Trust Agreement, are costs incurred in connection with the offering, sale and issuance of bonds for construction purposes; discount on the sale of those bonds; bond interest expense, net of income earned from investment of funds; the cost of certain real estate for right-of-way requirements; and administrative and legal expenses incurred during the construction period.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

NOTES TO FINANCIAL STATEMENTS

(4) Revenue Bonds

To provide for the refunding of the Dallas North Tollway Series 1982 Revenue Bonds and additional funds for supplementary development of the Dallas North Tollway - Extension Phase I, the Authority authorized and issued \$208,060,000 in principal amount of revenue bonds dated November 1, 1985. Such bonds included \$48,385,000 of serial bonds which mature beginning January 1, 1990 in amounts as set forth in the Trust Agreement and bear interest at rates ranging from 7.00% to 8.625%. The remaining \$159,675,000 of 9.00% term bonds are subject to mandatory sinking fund redemption at their principal amount in part on January 1, 2001 and on January 1 each year thereafter in amounts as set forth in the Trust Agreement. Interest on the bonds is to be paid semiannually on January 1 and July 1 of each year. Interest due on January 1, 1989 in the amount of \$9,155,192 was deposited with the paying agent on December 30, 1988; accordingly, there is no liability reflected in the accompanying financial statements for such interest at December 31, 1988.

The Authority purchased sufficient U.S. Treasury securities - State and Local Government Series with the net proceeds from the Series 1985 bonds for the retirement of the Series 1982 bonds and placed them in an irrevocable escrow account with NCNB Texas National Bank - Dallas. The irrevocable escrow account holds sufficient investments to pay for the outstanding refunded principal of \$168,090,000 and interest of \$294,435,135 at December 31, 1988.

The bonds may be redeemed prior to maturity on or after January 1, 1991 at the option of the Authority at the redemption prices set forth in the Trust Agreement.

Debt service requirements on the serial and term bonds as of December 31, 1988 are as follows:

1989	\$ 21,245,385
1990	21,244,935
1991	21,247,285
1992	21,244,535
1993	21,245,795
Thereafter	<u>405,484,911</u>
	511,712,846
Less amounts representing interest	<u>303,652,846</u>
Principal due	\$ <u>208,060,000</u>

(Continued)

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

NOTES TO FINANCIAL STATEMENTS

Pursuant to the Trust Agreement, the Authority has agreed that it will at all times keep in effect a plan for toll collecting facilities and a schedule of rates of tolls which will produce each year through 1987 an amount of net revenues, as defined in the Trust Agreement, at least equal to the scheduled debt service requirements for each fiscal year. Beginning in 1988, the requirement is 1.2 times the scheduled debt service requirement for each year. During 1988, net revenues were 1.35 times scheduled debt service.

(5) Employees' Retirement Plan

All full-time Authority employees participate in a retirement plan with the Employees' Retirement System of Texas. Employees contribute 6% and the Authority matches with a contribution of 7% of employees' gross earnings excluding premium pay for overtime. Total retirement expense allocated to Dallas North Tollway for the Authority employees for the year ended December 31, 1988 was approximately \$215,500. The Authority incurs no other expense and has no other liability under the plan.

(6) Commitments and Contingencies

Contract and purchase order commitments at December 31, 1988 aggregate \$3,906,465.

The Authority has operating lease agreements for the rental of automatic toll collection equipment. The terms of such agreements are for five and seven years from final acceptance of the toll equipment with renewal options. Final acceptance on the five year lease of equipment occurred in July 1985 with the expiration occurring in July 1990 and final acceptance of the seven year lease of equipment occurred in December 1987 with the expiration occurring in December 1994. Lease rentals for 1988 amounted to \$468,854, with \$198,308 charged to operations and \$270,546 capitalized and paid from the construction fund as provided for in the Trust Agreement. The following represents required remaining payments under the terms of the lease agreements:

1989	\$ 462,601
1990	462,601
1991	462,601
1992	462,601
1993	462,601
Thereafter	462,601
	<u>\$ 2,775,606</u>

(Continued)

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

NOTES TO FINANCIAL STATEMENTS

In connection with the expansion of and improvement to the Dallas North Tollway, 101 parcels of land were required to be purchased by the Authority. Of these parcels, 3 remain to be acquired or are subject to eminent domain proceedings as of December 31, 1988. In the opinion of management and counsel, adequate funds are available to acquire all of the right-of-way necessary to complete the project.

In July 1988, a general contractor for a portion of the Dallas North Tollway Extension filed a lawsuit against the Authority for approximately \$9,000,000 in excess costs. The suit alleges that the acts and omissions of the Authority and or its agents resulted in increased costs by the general contractor in excess of its expected contract amount.

The Authority intends to vigorously resist any attempt by the general contractor to recover such alleged excess costs against it. Additionally, the Authority believes much of this claim is unfounded. Currently, the suit is in discovery, and no assurance as to the final outcome can be given.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY EXTENSION

STATEMENT OF CAPITALIZED COSTS

DECEMBER 31, 1988

	Calendar Year <u>1988</u>	Cumulative Total Through <u>December 31, 1988</u>
Preliminary costs:		
Series 1985 revenue bonds:		
Legal fees and services	\$ -	151,197
Bond counsel fees and services	-	234,854
Underwriters' fees and services	-	4,693,030
Consultant engineering fees and services	-	49,550
Escrow fees and services on refunded bonds	-	159,360
Traffic engineering fees and services	-	40,690
Financial consultant fees and services	-	31,209
Other professional fees	-	85,433
Administrative organizational costs	-	8,871
Preparation, offer and sale of bonds	-	89,740
	<hr/>	<hr/>
	-	5,534,934
Series 1982 revenue bonds	-	5,979,266
	<hr/>	<hr/>
	-	11,523,200
Administration:		
General administration	198,815	1,431,750
Insurance	9,864	68,349
Accounting	15,867	79,272
Toll collection	272,448	435,702
Traffic control	-	2,441
	<hr/>	<hr/>
	496,994	2,017,514
Right-of-way:		
Land, improvements, leaseholds and easements:		
Acquired by negotiation - 72 parcels	310,000	16,910,912
Acquired by condemnation - 26 parcels	743,117	24,276,377
	<hr/>	<hr/>
	1,053,117	41,187,289
Sale of excess land and improvement - net	-	(152,655)
Rental property - net	-	11,940
	<hr/>	<hr/>
	1,053,117	41,046,574
Appraisal fees and services	19,616	320,775
Negotiators' fees	-	31,162
Commissioners' fees	2,400	54,061
Legal fees other than litigation	73,012	921,385
Litigation other than court costs	228,897	1,757,857
Title costs	46,454	190,808
Salaries and retirement costs	4,504	123,554
Other costs	484	11,327
	<hr/>	<hr/>
	1,428,484	44,457,503

(Continued)

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY EXTENSION

STATEMENT OF CAPITALIZED COSTS

DECEMBER 31, 1988

	Calendar Year <u>1988</u>	Cumulative Total Through <u>December 31, 1988</u>
Construction:		
Grading and earthwork	\$ 205,925	8,537,391
Drainage and slope protection	155,688	11,025,849
Pavement and shoulders	51,611	18,130,479
Structures	540,124	25,536,817
Protective devices	251,277	7,389,213
Detours	7,134	1,542,167
Utility relocations	680,860	12,909,319
Administration facilities	-	45,857
Toll collection facilities	202,574	2,377,458
Landscaping	92,078	136,931
Materials testing	498	733,719
Materials on hand	-	17,799
Other construction items	<u>57,744</u>	<u>204,138</u>
	<u>2,245,513</u>	<u>88,587,137</u>
Engineering:		
General consultant fees and services	806,167	8,601,733
Section engineering fees and services	1,399	3,708,011
Geotechnical engineering fees and services	35	82,677
Traffic engineering fees and services	27,308	257,859
Aerial and field surveys	33,720	392,427
Salaries, wages and retirement contributions	38,463	515,922
Other engineering costs	<u>93,129</u>	<u>193,880</u>
	1,000,221	13,752,509
Less sale of plans and specifications	<u>(3,550)</u>	<u>(41,380)</u>
	996,671	13,711,129
Equipment	<u>599</u>	<u>106,700</u>
Total excluding financing costs	<u>5,168,261</u>	<u>160,403,183</u>
Financing costs:		
Series 1985 bonds:		
Bond interest expense	18,452,299	58,432,280
Less accrued bond interest sold	<u>-</u>	<u>(2,085,349)</u>
	18,452,299	56,346,931
Discount on sale of bonds	<u>(141,915)</u>	<u>3,405,953</u>
	18,310,384	59,752,884
Series 1982 bonds interest expense - net	-	48,928,366
Interest expense - notes payable	<u>464,275</u>	<u>464,275</u>
	18,774,659	109,145,525
Less interest (earned) loss on interim investments:		
Construction Fund	(3,318,520)	(56,768,039)
Reserve Maintenance Fund	-	(668,800)
Reserve account	<u>31,034</u>	<u>(11,424,880)</u>
	<u>(3,287,486)</u>	<u>(68,861,719)</u>
Net financing costs	<u>15,487,173</u>	<u>40,283,806</u>
Total capitalized cost of Dallas North Tollway extension at December 31, 1988	<u>\$ 20,655,434</u>	<u>200,686,989</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

TOLL REVENUE AND TRAFFIC ANALYSIS

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	<u>1988</u>	<u>1987</u>
<u>TOLL REVENUE</u>		
Two-axle vehicles	\$ 24,465,714	18,779,332
Multi-axle vehicles	134,107	99,078
Revenue adjustments	197,857	176,539
Total	<u>\$ 24,797,678</u>	<u>19,054,949</u>
Percent increase	30.1%	37.2%
<u>VEHICLES</u>		
Two-axle vehicles	55,523,466	43,823,759
Multi-axle vehicles	158,146	119,627
Nonrevenue vehicles	450,731	512,363
Total	<u>56,132,343</u>	<u>44,455,749</u>
<u>MILES</u>		
Two-axle vehicles	289,076,209	245,896,636
Multi-axle vehicles	925,646	752,846
Nonrevenue vehicles	2,448,771	2,904,096
Total	<u>292,450,626</u>	<u>249,553,578</u>
<u>TOLL REVENUE - AVERAGE PER DAY</u>		
Two-axle vehicles	\$ 66,846	51,450
Multi-axle vehicles	366	271
Revenue adjustments	541	484
Average	<u>\$ 67,753</u>	<u>52,205</u>
<u>VEHICLES - AVERAGE PER DAY</u>		
Two-axle vehicles	151,704	120,065
Multi-axle vehicles	432	328
Nonrevenue vehicles	1,231	1,404
Average	<u>153,367</u>	<u>121,797</u>
<u>MILES - AVERAGE PER DAY</u>		
Two-axle vehicles	789,825	673,689
Multi-axle vehicles	2,529	2,063
Nonrevenue vehicles	6,691	7,956
Average	<u>799,045</u>	<u>683,708</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

TOLL REVENUE AND TRAFFIC BY CLASS OF VEHICLE

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

<u>CLASS OF VEHICLE</u>	<u>1988</u>		
	<u>Revenue</u>	<u>Vehicles</u>	<u>Miles</u>
Two-axle vehicles	\$ <u>24,465,714</u>	<u>55,523,466</u>	<u>289,076,209</u>
Three-axle vehicles and combinations	70,913	95,036	568,555
Four-axle vehicles and combinations	43,246	45,610	257,583
Five-axle vehicles and combinations	18,115	16,133	90,177
Special vehicles	<u>1,833</u>	<u>1,367</u>	<u>9,331</u>
	<u>134,107</u>	<u>158,146</u>	<u>925,646</u>
	24,599,821	55,681,612	290,001,855
Toll revenue variance	197,857	-	-
Nonrevenue vehicles	-	450,731	2,448,771
TOLL REVENUE AND TRAFFIC	\$ <u>24,797,678</u>	<u>56,132,343</u>	<u>292,450,626</u>

<u>CLASS OF VEHICLE</u>	<u>1987</u>		
	<u>Revenue</u>	<u>Vehicles</u>	<u>Miles</u>
Two-axle vehicles	\$ <u>18,779,332</u>	<u>43,823,759</u>	<u>245,896,636</u>
Three-axle vehicles and combinations	53,022	72,449	463,109
Four-axle vehicles and combinations	31,275	33,917	210,076
Five-axle vehicles and combinations	12,616	11,630	68,131
Special vehicles	<u>2,165</u>	<u>1,631</u>	<u>11,530</u>
	<u>99,078</u>	<u>119,627</u>	<u>752,846</u>
	18,878,410	43,943,386	246,649,482
Toll revenue variance	176,539	-	-
Nonrevenue vehicles	-	512,363	2,904,096
TOLL REVENUE AND TRAFFIC	\$ <u>19,054,949</u>	<u>44,455,749</u>	<u>249,553,578</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
DALLAS NORTH TOLLWAY

CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED DECEMBER 31, 1988

	Total (Memorandum only)	Construction and Property Fund
BALANCE OF CASH DECEMBER 31, 1987	\$ 1,480,240	<u>100,000</u>
Receipts:		
Toll revenues	24,800,338	-
Matured investments	88,672,859	44,070,906
Earnings received from investments	4,426,358	2,862,978
Contractual advance - City of Plano	4,755,000	4,755,000
Contractual advance - Collin County	1,870,000	1,870,000
Note receivable	214,317	214,317
Damage claims	12,715	-
Social security tax rebate	6,331	-
Sale of plans	3,658	3,550
Sale of foreign coins	237	-
Public telephones	102	-
Miscellaneous	172	-
Reimbursable receipts	<u>4,117</u>	<u>998</u>
	<u>124,766,204</u>	<u>53,777,749</u>
Disbursements:		
Interest on bonded debt	(18,310,385)	-
Interim investments	(91,094,884)	(45,174,212)
Operating expenses	(1,073,753)	-
Nonrecurring expenses	(6,456,244)	-
Capitalized costs	(7,233,799)	(7,219,764)
Equipment (net of trade-in)	(114,890)	-
Reimbursable costs	<u>(4,273)</u>	<u>-</u>
	<u>(124,288,228)</u>	<u>(52,393,976)</u>
Interfund and interproject transactions:		
Distribution from Revenue Fund	-	349,787
Transfer of excess moneys from Reserve Account	-	-
Earnings received and transferred to Construction Fund	-	(157,764)
Transfer of earnings from Construction Fund for payment of bond interest	-	(1,401,165)
Other interfund transactions - net	(61,435)	(174,631)
Dallas-Fort Worth Turnpike Transition Trust Fund - net	(160)	-
Texas Turnpike Authority Feasibility Study Fund - net	(4,599)	-
Mountain Creek Lake Bridge - net	(6,621)	-
Houston Ship Channel Bridge - net	<u>(19,622)</u>	<u>-</u>
	<u>(92,437)</u>	<u>(1,383,773)</u>
Receipts over (under) Disbursements for Calendar Year 1988	<u>385,539</u>	<u>-</u>
BALANCE OF CASH DECEMBER 31, 1988	\$ <u>1,865,779</u>	<u>100,000</u>

See accompanying independent auditors' report.

Schedule 4

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Surplus Fund	Debt Service Funds		
				Bond Interest	Reserve account	Redemption account
<u>334,304</u>	<u>945,056</u>	<u>100,402</u>	<u>477</u>	-	<u>1</u>	-
24,800,338	-	-	-	-	-	-
22,095,376	999,392	4,999,041	1,109,323	14,255,010	1,143,811	-
66,923	28,376	144,271	262,188	246,450	815,172	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
443	12,272	-	-	-	-	-
6,331	-	-	-	-	-	-
108	-	-	-	-	-	-
237	-	-	-	-	-	-
102	-	-	-	-	-	-
172	-	-	-	-	-	-
-	<u>2,217</u>	<u>902</u>	-	-	-	-
<u>46,970,030</u>	<u>1,042,257</u>	<u>5,144,214</u>	<u>1,371,511</u>	<u>14,501,460</u>	<u>1,958,983</u>	-
-	-	-	-	(18,310,385)	-	-
(22,095,376)	-	(5,130,246)	(2,910,205)	(14,255,010)	(1,529,835)	-
-	(1,073,753)	-	-	-	-	-
-	(5,834,670)	(621,574)	-	-	-	-
-	-	-	(14,035)	-	-	-
-	-	(114,890)	-	-	-	-
-	(4,273)	-	-	-	-	-
<u>(22,095,376)</u>	<u>(6,912,696)</u>	<u>(5,866,710)</u>	<u>(2,924,240)</u>	<u>(32,565,395)</u>	<u>(1,529,835)</u>	-
(25,041,385)	5,986,533	668,000	1,374,295	16,662,770	-	-
447,213	-	-	163,922	-	(611,135)	-
-	-	(23,205)	-	-	180,969	-
-	-	-	-	1,401,165	-	-
5	98,139	-	14,035	-	1,017	-
-	(160)	-	-	-	-	-
-	(4,599)	-	-	-	-	-
-	(11,921)	5,300	-	-	-	-
-	(19,622)	-	-	-	-	-
<u>(24,594,167)</u>	<u>6,048,370</u>	<u>650,095</u>	<u>1,552,252</u>	<u>18,063,935</u>	<u>(429,149)</u>	-
<u>280,487</u>	<u>177,931</u>	<u>(72,401)</u>	<u>(477)</u>	-	- (1)	-
<u>614,791</u>	<u>1,122,987</u>	<u>28,001</u>	<u>-</u>	-	-	-

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DECEMBER 31, 1988

(WITH INDEPENDENT AUDITORS' REPORT THEREON)



Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.

Suite 1400
Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

INDEPENDENT AUDITORS' REPORT

Board of Directors
Texas Turnpike Authority:

We have audited the accompanying statement of financial condition of the Mountain Creek Lake Bridge of the Texas Turnpike Authority as of December 31, 1988 and the related statements of revenues and expenses and changes in fund equity for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements are not intended to be a presentation in conformity with generally accepted accounting principles in that depreciation of the Bridge and related facilities is not provided and interest is capitalized for one year after official completion. However, the statements were prepared on the basis of accounting practices set forth in the provisions of the Trust Agreement for the Mountain Creek Lake Bridge revenue bonds, as interpreted by the Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Mountain Creek Lake Bridge of the Texas Turnpike Authority as of December 31, 1988, and its revenues and expenses and the changes in its fund equity for the year then ended, on the basis of accounting described in note 1.



Member Firm of
Klynveld Peat Marwick Goerdeler

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in Schedules 1 to 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Peat Marwick Main & Co.

February 24, 1989

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1988

<u>Assets</u>	Total (memorandum only)	Construction and <u>Property Fund</u>
Cash (note 2)	\$ 121,449	-
Investments at cost, which approximates market (note 2)	1,170,497	-
Accrued earnings receivable on investments	474	-
Interfund receivables	26,628	-
Accounts receivable	1,811	-
Prepaid expenses	16,217	-
Capitalized cost of Mountain Creek Lake Bridge (note 3)	<u>8,613,435</u>	<u>8,613,435</u>
	\$ <u>9,950,511</u>	<u>8,613,435</u>
<u>Liabilities</u>		
Vouchers payable	\$ 242	-
Accounts payable	1,324	-
Interfund payables	26,628	-
Due to Dallas North Tollway	34,957	-
Recurring accrued liabilities	13,565	-
Deferred income from damage claims	130	-
Mountain Creek Lake Bridge Revenue Bonds payable (note 4)	<u>7,805,000</u>	<u>7,805,000</u>
	<u>7,881,846</u>	<u>7,805,000</u>
<u>Fund Equity</u>		
Fund balances	2,068,665	808,435
Commitments (notes 4, 5 and 6)	\$ <u>9,950,511</u>	<u>8,613,435</u>

See accompanying notes to financial statements.

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Special Reserve Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
26,628	90,581	4,240	-	-	-	-
-	-	223,801	169,184	-	777,512	-
-	-	-	85	-	389	-
-	-	-	26,628	-	-	-
-	1,811	-	-	-	-	-
-	16,217	-	-	-	-	-
-	-	-	-	-	-	-
<u>26,628</u>	<u>108,609</u>	<u>228,041</u>	<u>195,897</u>	<u>-</u>	<u>777,901</u>	<u>-</u>
-	242	-	-	-	-	-
-	1,324	-	-	-	-	-
26,628	-	-	-	-	-	-
-	34,957	-	-	-	-	-
-	13,565	-	-	-	-	-
-	130	-	-	-	-	-
-	-	-	-	-	-	-
<u>26,628</u>	<u>50,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	58,391	228,041	195,897	-	777,901	-
<u>26,628</u>	<u>108,609</u>	<u>228,041</u>	<u>195,897</u>	<u>-</u>	<u>777,901</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	<u>1988</u>	<u>1987</u>
Revenues:		
Toll revenues	\$ 1,285,610	1,294,076
Earnings from investments	<u>96,173</u>	<u>79,147</u>
Gross revenues	<u>1,381,783</u>	<u>1,373,223</u>
Operating expenses:		
Administration:		
General administration	66,593	51,665
Accounting	14,734	14,853
Data processing	7,660	6,798
Insurance	<u>46,820</u>	<u>39,444</u>
	<u>135,807</u>	<u>112,760</u>
Operations:		
Toll collection	264,709	294,007
Engineering and maintenance	53,592	42,804
Utilities	18,925	18,123
Traffic control	<u>1,000</u>	<u>12,266</u>
	<u>338,226</u>	<u>367,200</u>
Total operating expenses	<u>474,033</u>	<u>479,960</u>
Net operating revenues	907,750	893,263
Reserve Maintenance Fund expenses	<u>13,795</u>	<u>12,857</u>
Net revenues for debt service (note 4)	893,955	880,406
Interest on bonded debt	552,902	565,818
Net revenues	<u>\$ 341,053</u>	<u>314,588</u>

See accompanying notes to financial statements.

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

STATEMENT OF CHANGES IN FUND EQUITY

YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	Construction and Property Fund
Fund balances December 31, 1987	\$ <u>1,727,612</u>	<u>587,715</u>
Gross revenues	1,381,783	-
Operating expenses	(474,033)	-
Reserve Maintenance Fund expenses	(13,795)	-
Bond interest expense	<u>(552,902)</u>	<u>-</u>
Net revenues	341,053	-
Revenue bonds retired	-	220,000
Interfund transactions:		
Distribution from Revenue Fund	-	-
Interfund transfers	-	-
Capitalized costs transferred to construction and property fund	<u>-</u>	<u>720</u>
Net changes during calendar year 1988	<u>341,053</u>	<u>220,720</u>
Fund balances December 31, 1988	\$ <u><u>2,068,665</u></u>	<u><u>808,435</u></u>

See accompanying notes to financial statements.

Exhibit C

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Special Reserve Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
-	56,516	225,593	83,335	-	774,453	-
1,285,610	-	16,963	5,971	10,327	57,597	5,315
-	(474,033)	-	-	-	-	-
-	-	(13,795)	-	-	-	-
-	-	-	-	(552,902)	-	-
<u>1,285,610</u>	<u>(474,033)</u>	<u>3,168</u>	<u>5,971</u>	<u>(542,575)</u>	<u>57,597</u>	<u>5,315</u>
-	-	-	-	-	-	(220,000)
(1,339,759)	475,908	-	106,591	543,098	-	214,162
54,149	-	-	-	(523)	(54,149)	(523)
-	-	(720)	-	-	-	-
-	1,875	2,448	112,562	-	3,448	-
<u>-</u>	<u>58,391</u>	<u>228,041</u>	<u>195,897</u>	<u>-</u>	<u>777,901</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

(1) Organization and Summary of Significant Accounting Policies

The Texas Turnpike Authority (Authority) is an agency of the State of Texas authorized and empowered by the Texas Turnpike Authority Act (Act) to construct, maintain, repair and operate turnpike and other projects at such locations within the State as may be determined by the Authority, subject to approval as to location by the State Highway and Public Transportation Commission. The Authority is further authorized to issue revenue bonds, payable solely from tolls and other revenue of the Authority, for the purpose of paying all or any part of the cost of a project. Under the provisions of the Act, revenue bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State of Texas or of any political subdivision thereof.

The accounts of Mountain Creek Lake Bridge are maintained in accordance with the practices set forth in the provisions of the Trust Agreement for the Mountain Creek Lake Bridge revenue bonds, as interpreted by the Authority. These practices are the same as generally accepted accounting principles except that depreciation of the Bridge and related facilities is not included as an operating expense or otherwise provided and interest was capitalized for one year after official completion as allowed by State law rather than being reflected as an expense. The practice of not providing for depreciation is followed by other turnpike and toll facilities. Adequate monies are available in the Reserve Maintenance Fund and the Special Reserve Fund to provide for replacement of or additions to equipment or facilities as needed.

The capitalized cost of the Bridge is stated at cost which includes interest paid prior to, during and one year subsequent to completion of construction less income earned from investment of construction funds, in accordance with the terms of the Trust Agreement.

The various funds which are required by the Trust Agreement are grouped as follows in the financial statements:

- Construction and Property Fund - The Construction and Property Fund was created to account for that portion of the proceeds from the sale of the Mountain Creek Lake Bridge Revenue Bonds which are required to be deposited with the trustee in order to pay all costs of construction. There also may be deposited in the Construction and Property Fund any monies received from any other source for paying the cost of the Bridge, or for paying the cost of improving, extending, or enlarging the Bridge.

(Continued)

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

NOTES TO FINANCIAL STATEMENTS

- Revenue Fund - The Revenue Fund was created to account for all revenues (all tolls, other revenues and income) arising or derived by the Authority from the operation and ownership of the Bridge. All revenues of this fund are distributed to other funds in accordance with the Trust Agreement.
- Operations and Maintenance Fund - The Operations and Maintenance Fund was created to account for the payment of current operating expenses of the Bridge.
- Reserve Maintenance Fund - The Reserve Maintenance Fund was created to account for those expenses of maintaining the Bridge which do not recur on an annual or shorter basis. Per the Trust Agreement such items include repairs, painting, renewals and replacements necessary for safe or efficient operation of the Bridge or to prevent loss of revenues, for engineering expenses relating to the functions of the Authority and for equipment, maintenance expenses and operating expenses not occurring at annual or shorter periods.
- Special Reserve Fund - The Special Reserve Fund was created to account for the cost of repairs, enlargements, resurfacing, additions, renewals, improvements, reconstruction and replacements, capital expenditures, engineering and other expenses relating to the functions of the Authority in connection with the Bridge, and for any other purpose relating to any other function of the Authority now or hereafter as authorized by law. In addition, the Special Reserve Fund may account for the payment of principal, interest and premium on subordinate lien bonds, notes or other obligations of the Authority and the purchase, payment or redemption prior to maturity of bonds issued pursuant to the Trust Agreement.
- Bond Interest Account - The Bond Interest Account was created to account for the payment of the semiannual interest requirements of the revenue bonds.
- Reserve Account - The Reserve Account was created for the purpose of paying interest on the bonds whenever and to the extent that the monies held for the credit of the Bond Interest Account and the Redemption Account shall be insufficient for such purposes.

(Continued)

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

NOTES TO FINANCIAL STATEMENTS

- Redemption Account - The Redemption Account was created to provide for the retirement of principal on Mountain Creek Lake Bridge Revenue Bonds.

The Authority also operates the Dallas North Tollway and Houston Ship Channel Bridge, which are separate entities under law, and for which separate individual financial statements are prepared in accordance with trust agreements. In addition, financial statements are prepared to present the accounts of the Dallas-Fort Worth Turnpike Transition Trust Fund, the Feasibility Study Fund and the Equipment Account.

(2) Cash and Investments

The Authority, in accordance with the Trust Agreement, is authorized to invest in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government, indirect obligations of the United States of America such as bonds or other obligations issued by any Federal Agency, or other investments authorized by the Authority provided they are collateralized by Federal government backed securities.

Cash and investments at December 31, 1988 consisted of the following with interest yields ranging from 8.310% to 8.890%:

	<u>Cost</u>	<u>Market</u>
Cash	\$ 121,449	121,449
Money market secured by Federal securities	946,696	946,696
Federal Home Loan Bank discount note	223,801	218,091
	\$ <u>1,291,946</u>	<u>1,286,236</u>

At December 31, 1988, cash in excess of FDIC insurance and repurchase agreements were fully collateralized in accordance with the Trust Agreement. All cash, investments and collateral are held by the Authority's Trustee in the Authority's name.

(3) Construction and Property

Included in the capitalized costs of the Construction and Property Fund, in accordance with the Trust Agreement, are costs incurred in connection with the offering, sale and issuance of bonds for construction purposes; discount on the sale of bonds; bond interest expense, net of investment income earned from investment of funds; the cost of certain real estate for right-of-way requirements; and administrative and legal expenses incurred during the construction period.

(Continued)

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

NOTES TO FINANCIAL STATEMENTS

(4) Revenue Bonds

To provide for the construction of the Mountain Creek Lake Bridge, the Authority authorized and issued \$9,200,000 principal amount of Mountain Creek Lake Bridge Revenue Bonds dated June 1, 1977 of which \$4,580,000 were Serial Bonds which bear interest at rates ranging from 5.50% to 6.85% and \$4,620,000 were Term Bonds which bear interest at a rate of 7.00%.

Interest on the bonds is paid semiannually on January 1 and July 1. Interest due on January 1, 1989 in the amount of \$276,451 was deposited with the paying agent on December 30, 1988; accordingly, there is no liability reflected in the accompanying financial statements for such interest at December 31, 1988.

Under the terms of the Trust Agreement, redemption of the \$4,580,000 Serial Bonds began on January 1, 1981 in amounts as set forth in the Trust Agreement.

The \$4,620,000 of Term Bonds are subject to mandatory sinking fund redemption at their principal amount, in part, on January 1, 2000 and on January 1 of each year thereafter in amounts as set forth in the Trust Agreement. The bonds may also be redeemed prior to maturity at the option of the Authority at the redemption prices set forth in the Trust Agreement.

Maturities and sinking fund requirements on the serial and term bonds are as follows:

1989	\$ 773,822
1990	768,547
1991	772,377
1992	774,622
1993	770,385
Thereafter	<u>10,061,307</u>
	13,921,060
Less applicable interest	<u>(6,116,060)</u>
Principal due	\$ <u><u>7,805,000</u></u>

(Continued)

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

NOTES TO FINANCIAL STATEMENTS

Pursuant to the Trust Agreement, the Authority covenants that it will at all times keep in effect a plan for toll collecting facilities and a schedule of rates of tolls which will produce each year an amount of "Net Revenues of the Bridge," as defined in the Trust Agreement, at least equal to 1.2 times the scheduled debt service requirements for each fiscal year plus any additional amounts required to fund the deficiencies, if any, between such net revenues and the scheduled debt service requirements for the previous fiscal years. During 1988, net revenues were not sufficient to meet the above requirements by \$33,527 or 3.6% of the debt service requirements.

Accordingly, as required by the Trust Agreement, the Authority requested the designated traffic engineers to again perform a review and provide their recommendations as to the revisions, if any, which should be made in the schedule of rates of tolls in order to cause net revenues to meet the debt service coverage as set forth in the Trust Agreement.

(5) Employees' Retirement Plan

All full-time employees participate in a retirement plan with the Employees' Retirement System of Texas. Employees contribute 6% and the Authority matches with a contribution of 7% of employees' gross earnings excluding premium pay for overtime. Total retirement expense allocated to Mountain Creek Lake Bridge for the Authority employees for the year ended December 31, 1988 was approximately \$17,300. The Authority incurs no other expense and has no other liability under the plan.

(6) Commitments

The Authority has an operating lease agreement for the rental of the automatic toll collection equipment which expires in September 1991. Expense for the year ended December 31, 1988 was \$35,246. The following represents remaining payments under the terms of the agreement:

1989	\$ 35,150
1990	35,150
1991	<u>26,200</u>
	<u>\$ 96,500</u>

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

STATEMENT OF CAPITALIZED COSTS

DECEMBER 31, 1988

	Capitalized During <u>1988</u>	Cumulative Total Through <u>December 31, 1988</u>
Preliminary Costs	\$ -	483,970
Administration	-	379,131
Right-of-Way	-	50,777
Completed Construction	-	5,948,691
Engineering and Maintenance	-	372,332
Equipment	<u>720</u>	<u>3,751</u>
TOTAL EXCLUDING FINANCING COSTS	<u>720</u>	<u>7,238,652</u>
Financing Costs	-	2,245,354
Less Earnings on Interim Investments	<u>-</u>	<u>(870,571)</u>
	<u>-</u>	<u>1,374,783</u>
CAPITALIZED COST OF MOUNTAIN CREEK LAKE BRIDGE AT DECEMBER 31, 1988	\$ <u><u>720</u></u>	<u><u>8,613,435</u></u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

TOLL REVENUE AND TRAFFIC ANALYSIS

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	<u>1988</u>	<u>1987</u>
<u>TOLL REVENUE</u>		
Two-axle vehicles	\$ 1,272,487	1,280,715
Multi-axle vehicles	9,566	9,936
Revenue adjustments	3,557	3,425
Total	<u>\$ 1,285,610</u>	<u>1,294,076</u>
Percent decrease	(0.7)%	(1.1)%
<u>VEHICLES</u>		
Two-axle vehicles	2,544,974	2,561,430
Multi-axle vehicles	10,716	11,398
Nonrevenue vehicles	23,775	34,163
Total	<u>2,579,465</u>	<u>2,606,991</u>
<u>MILES</u>		
Two-axle vehicles	4,962,760	4,994,838
Multi-axle vehicles	21,288	22,582
Nonrevenue vehicles	46,480	66,669
Total	<u>5,030,528</u>	<u>5,084,089</u>
<u>TOLL REVENUE - AVERAGE PER DAY</u>		
Two-axle vehicles	\$ 3,477	3,509
Multi-axle vehicles	26	27
Revenue adjustments	10	9
Average	<u>\$ 3,513</u>	<u>3,545</u>
<u>VEHICLES - AVERAGE PER DAY</u>		
Two-axle vehicles	6,954	7,018
Multi-axle vehicles	29	31
Nonrevenue vehicles	65	93
Average	<u>7,048</u>	<u>7,142</u>
<u>MILES - AVERAGE PER DAY</u>		
Two-axle vehicles	13,560	13,684
Multi-axle vehicles	58	62
Nonrevenue vehicles	127	183
Average	<u>13,745</u>	<u>13,929</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

TOLL REVENUE AND TRAFFIC BY CLASS OF VEHICLE

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

<u>CLASS OF VEHICLE</u>	<u>1988</u>		
	<u>Revenue</u>	<u>Vehicles</u>	<u>Miles</u>
Two-axle vehicles	\$ 1,272,487	2,544,974	4,962,760
Three-axle vehicles and combinations	4,767	6,357	12,592
Four-axle vehicles and combinations	2,600	2,600	5,199
Five-axle vehicles and combinations	2,199	1,759	3,497
	<u>9,566</u>	<u>10,716</u>	<u>21,288</u>
	1,282,053	2,555,690	4,984,048
Toll revenue variance	3,557	-	-
Nonrevenue vehicles	-	23,775	46,480
TOLL REVENUE AND TRAFFIC	\$ <u>1,285,610</u>	<u>2,579,465</u>	<u>5,030,528</u>

<u>CLASS OF VEHICLE</u>	<u>1987</u>		
	<u>Revenue</u>	<u>Vehicles</u>	<u>Miles</u>
Two-axle vehicles	\$ <u>1,280,715</u>	<u>2,561,430</u>	<u>4,994,838</u>
Three-axle vehicles and combinations	5,541	7,388	14,571
Four-axle vehicles and combinations	2,514	2,514	5,027
Five-axle vehicles and combinations	1,881	1,496	2,984
	<u>9,936</u>	<u>11,398</u>	<u>22,582</u>
	1,290,651	2,572,828	5,017,420
Toll revenue variance	3,425	-	-
Nonrevenue vehicles	-	34,163	66,669
TOLL REVENUE AND TRAFFIC	\$ <u>1,294,076</u>	<u>2,606,991</u>	<u>5,084,089</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
MOUNTAIN CREEK LAKE BRIDGE

CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	Construction and Property Fund
BALANCE OF CASH DECEMBER 31, 1987	\$ <u>109,100</u>	<u>-</u>
Receipts:		
Toll revenues	1,285,610	-
Matured investments	3,745,142	-
Earnings received from investments	<u>91,501</u>	<u>-</u>
	<u>5,122,253</u>	<u>-</u>
Disbursements:		
Revenue bonds retired	(220,000)	-
Interest paid on bonded debt	(552,902)	-
Interim investments	(3,844,960)	-
Operating expenses	(477,216)	-
Nonrecurring expenses	<u>(14,826)</u>	<u>-</u>
	<u>(5,109,904)</u>	<u>-</u>
Interfund and interproject transactions:		
Distribution from Revenue Fund	-	-
Transfer from Bond Interest Account	-	-
Transfer from Reserve Account	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Receipts over (under) Disbursements for Year	<u>12,349</u>	<u>-</u>
BALANCE OF CASH DECEMBER 31, 1988	\$ <u><u>121,449</u></u>	<u><u>-</u></u>

See accompanying independent auditors' report.

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Special Reserve Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
<u>10,169</u>	<u>91,889</u>	<u>2,042</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,285,610	-	-	-	-	-	-
-	-	447,400	237,768	543,098	2,316,928	199,948
-	-	12,615	5,900	10,327	57,344	5,315
<u>1,285,610</u>	<u>-</u>	<u>460,015</u>	<u>243,668</u>	<u>553,425</u>	<u>2,374,272</u>	<u>205,263</u>
-	-	-	-	-	-	(220,000)
-	-	-	-	(552,902)	-	-
-	-	(442,991)	(328,631)	(543,098)	(2,330,292)	(199,948)
-	(477,216)	-	-	-	-	-
-	-	(14,826)	-	-	-	-
<u>-</u>	<u>(477,216)</u>	<u>(457,817)</u>	<u>(328,631)</u>	<u>(1,096,000)</u>	<u>(2,330,292)</u>	<u>(419,948)</u>
(1,323,300)	475,908	-	79,963	543,098	10,169	214,162
-	-	-	-	(523)	-	523
54,149	-	-	-	-	(54,149)	-
<u>(1,269,151)</u>	<u>475,908</u>	<u>-</u>	<u>79,963</u>	<u>542,576</u>	<u>(43,980)</u>	<u>214,684</u>
<u>16,459</u>	<u>(1,308)</u>	<u>2,198</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>26,628</u>	<u>90,581</u>	<u>4,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
DECEMBER 31, 1988
(WITH INDEPENDENT AUDITORS' REPORT THEREON)



Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.

Suite 1400
Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

INDEPENDENT AUDITORS' REPORT

Board of Directors
Texas Turnpike Authority:

We have audited the accompanying statement of financial condition of Houston Ship Channel Bridge of the Texas Turnpike Authority as of December 31, 1988 and the related statements of revenues and expenses and changes in fund equity for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements are not intended to be a presentation in conformity with generally accepted accounting standards in that depreciation of the Bridge and related facilities is not provided and interest is capitalized for one year after official completion. However, the statements were prepared on the basis of accounting practices set forth in the provisions of the Trust Agreement for the Houston Ship Channel Bridge revenue bonds, as interpreted by the Authority.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Houston Ship Channel Bridge of the Texas Turnpike Authority as of December 31, 1988, and its revenues and expenses and the changes in its fund equity for the year then ended, on the basis of accounting described in note 1.



Member Firm of
Kluwe Peat Marwick Goerdeler

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 to 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Peat Marwick Main + Co.

February 24, 1989

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1988

<u>Assets</u>	Total (memorandum only)	<u>Construction and Property Fund</u>
Cash (note 2)	\$ 382,208	-
Investments at cost, which approximates market (note 2)	14,147,025	-
Accrued earnings receivable on investments	610	-
Interfund receivables	150,615	-
Due from TTA Feasibility Study Fund	34	-
Accounts receivable	8,448	-
Inventory of supplies at average cost	26,611	-
Prepaid expenses	29,124	-
Capitalized cost of Houston Ship Channel Bridge (note 3)	<u>95,471,252</u>	<u>95,471,252</u>
	\$ <u>110,215,927</u>	<u>95,471,252</u>
<u>Liabilities</u>		
Vouchers payable	\$ 10,065	-
Accounts payable	117,228	-
Interfund payables	150,615	-
Due to Dallas North Tollway	94,491	-
Recurring accrued liabilities	26,801	-
Deferred income	30,669	-
Houston Ship Channel Bridge Revenue Bonds payable (note 4):		
Series 1978 revenue bonds	95,800,000	95,800,000
Series 1985 revenue bonds	<u>40,582,830</u>	<u>40,582,830</u>
	<u>136,812,699</u>	<u>136,382,830</u>
<u>Fund Equity</u>		
Fund balances (deficit)	(26,596,772)	(40,911,578)
Commitments (notes 4, 5 and 6)		
	\$ <u>110,215,927</u>	<u>95,471,252</u>

See accompanying notes to financial statements.

Exhibit A

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Surplus Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
110,083	268,260	3,864	-	-	1	-
33,008	96,328	8,972,297	-	-	5,045,392	-
15	44	183	-	-	368	-
-	36,012	-	-	-	114,603	-
-	34	-	-	-	-	-
973	7,475	-	-	-	-	-
-	26,611	-	-	-	-	-
-	29,124	-	-	-	-	-
-	-	-	-	-	-	-
<u>144,079</u>	<u>463,888</u>	<u>8,976,344</u>	<u>-</u>	<u>-</u>	<u>5,160,364</u>	<u>-</u>
-	10,065	-	-	-	-	-
-	117,228	-	-	-	-	-
114,643	-	35,972	-	-	-	-
-	94,491	-	-	-	-	-
-	26,801	-	-	-	-	-
29,436	1,233	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>144,079</u>	<u>249,818</u>	<u>35,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	214,070	8,940,372	-	-	5,160,364	-
<u>144,079</u>	<u>463,888</u>	<u>8,976,344</u>	<u>-</u>	<u>-</u>	<u>5,160,364</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	<u>1988</u>	<u>1987</u>
Revenues:		
Toll revenues	\$ 5,796,637	5,819,825
Earnings from investments	1,290,524	773,455
Other	6,045	60,379
Gross revenues	<u>7,093,206</u>	<u>6,653,659</u>
Operating expenses:		
Administration:		
General administration	213,380	177,299
Accounting	31,772	29,692
Data processing	15,320	13,595
Insurance	<u>158,090</u>	<u>126,153</u>
	<u>418,562</u>	<u>346,739</u>
Operations:		
Toll collection	522,211	613,695
Engineering and maintenance	-	207,315
Utilities	41,158	40,510
Traffic control	<u>343,111</u>	<u>316,791</u>
	<u>906,480</u>	<u>1,178,311</u>
Total operating expenses	<u>1,325,042</u>	<u>1,525,050</u>
Net revenues for debt service	5,768,164	5,128,609
Interest on bonded debt	3,283,890	-
Reserve maintenance fund expenses	<u>336,889</u>	<u>82,936</u>
Net revenues before interest accretion	2,147,385	5,045,673
Interest accretion on capital appreciation bonds (note 4)	<u>4,676,530</u>	<u>4,137,261</u>
Net revenues (deficit)	<u>\$ (2,529,145)</u>	<u>908,412</u>

See accompanying notes to financial statements.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

STATEMENT OF CHANGES IN FUND EQUITY

YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	Construction and <u>Property Fund</u>
Fund equity (deficit) December 31, 1986	\$(<u>24,056,333</u>)	(<u>38,387,246</u>)
Gross revenues	7,093,206	-
Operating expenses	(1,325,042)	-
Interest on bonded debt	(3,283,890)	-
Reserve maintenance fund expenses	(336,889)	-
Interest accretion on capital appreciation bonds	(4,676,530)	-
Net revenues	<u>(2,529,145)</u>	<u>-</u>
Revenue bonds retired	-	2,145,000
Interfund transactions:		
Distribution from revenue fund	-	-
Transfer of excess moneys from bond interest account	-	-
Transfer from reserve account	-	-
Capitalized costs transferred to construction and property fund	-	20,092
Equity realized from sale or trade-in of equipment	1,600	-
Transfer of interest accretion on capital appreciation bonds	-	(4,676,530)
Cost of equipment retired	(12,894)	(12,894)
Net changes during year	<u>(2,540,439)</u>	<u>(2,524,332)</u>
Fund equity (deficit) December 31, 1988	\$(<u>26,596,772</u>)	(<u>40,911,578</u>)

See accompanying notes to financial statements.

EXHIBIT C

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Surplus Fund	Debt Service Funds		
				Bond interest account	Reserve account	Redemption account
-	214,152	8,604,595	-	-	5,512,166	-
5,819,164	6,690	691,158	-	142,843	433,351	-
-	(1,325,042)	-	-	-	-	-
-	-	-	-	(3,283,890)	-	-
-	-	(336,889)	-	-	-	-
-	-	-	-	(4,676,530)	-	-
<u>5,819,164</u>	<u>(1,318,352)</u>	<u>354,269</u>	<u>-</u>	<u>(7,817,577)</u>	<u>433,351</u>	<u>-</u>
-	-	-	-	-	-	(2,145,000)
(5,819,164)	1,318,270	-	-	3,957,677	114,602	428,615
-	-	-	-	(816,630)	-	816,630
-	-	-	-	-	(899,755)	899,755
-	-	(20,092)	-	-	-	-
-	-	1,600	-	-	-	-
-	-	-	-	4,676,530	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>(82)</u>	<u>335,777</u>	<u>-</u>	<u>-</u>	<u>(351,802)</u>	<u>-</u>
<u>-</u>	<u>214,070</u>	<u>8,940,372</u>	<u>-</u>	<u>-</u>	<u>5,160,364</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

(1) Organization and Summary of Significant Accounting Policies

The Texas Turnpike Authority (Authority) is an agency of the State of Texas authorized and empowered by the Texas Turnpike Authority Act (Act) to construct, maintain, repair and operate turnpike projects at such locations within the State as may be determined by the Authority, subject to approval as to location by the State Highway and Public Transportation Commission. The Authority is further authorized to issue revenue bonds, payable solely from tolls and other revenue of the Authority, for the purpose of paying all or any part of the cost of a turnpike project. Under the provisions of the Act, these revenue bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State of Texas or of any political subdivision thereof.

The accounts of Houston Ship Channel Bridge are maintained in accordance with the practices set forth in the provisions of the Trust Agreement for the Houston Ship Channel Bridge Revenue Bonds, as interpreted by the Authority. These practices are the same as generally accepted accounting principles except that depreciation of the Bridge and related facilities is not included as an operating expense or otherwise provided and interest has been capitalized for one year after official completion as allowed by State Law, rather than being reflected as an expense. The practice of not providing for depreciation is followed by other turnpike and toll facilities. Adequate monies are available in the Reserve Maintenance Fund to provide for replacement of or additions to equipment or facilities as needed.

The capitalized cost of the Houston Ship Channel Bridge is stated at cost which includes interest paid prior to, during and one year subsequent to completion of construction less retired assets and income earned from investment of construction funds, in accordance with the terms of the Trust Agreement.

The various funds and group of accounts which are required by the Trust Agreement are grouped as follows in the financial statements:

- Construction and Property Fund - The Construction and Property Fund was established to account for that portion of the proceeds from the sale of revenue bonds which were required to be deposited with the trustee in order to pay all costs of construction. There also may be deposited in the Construction and Property Fund any monies received from any other source for paying the cost of the Bridge, or for paying the cost of improving, extending, or enlarging the Bridge.

(Continued)

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

NOTES TO FINANCIAL STATEMENTS

- Revenue Fund - The Revenue Fund was created to account for all revenues (all tolls, other revenues and income) arising or derived by the Authority from the operation and ownership of the Bridge. All revenues of the fund are distributed to other funds in accordance with the Trust Agreement.
- Operation and Maintenance Fund - The Operation and Maintenance Fund was created to account for the payment of current operating expenses of the Bridge.
- Reserve Maintenance Fund - The Reserve Maintenance Fund was created to account for those expenses of maintaining the Bridge which do not recur on an annual or shorter basis. As defined in the Trust Agreement such items include repairs, painting, renewals and replacements necessary for safe or efficient operation of the Bridge or to prevent loss of revenues, engineering expenses relating to the functions of the Authority, equipment, maintenance expenses and operating expenses not occurring at annual or shorter periods.
- Surplus Fund - The Surplus Fund was created to account for the cost of repairs, enlargements, extensions, resurfacing, additions, renewals, improvements, reconstruction and replacements, capital expenditures, engineering and other expenses relating to the powers or functions of the Authority in connection with the Bridge, and for any other purpose relating to any other powers or function of the Authority now or hereafter authorized by law.
- Bond Interest Account - The Bond Interest Account was created to account for the payment of the semiannual interest requirements of the revenue bonds. A Redemption Account will be created to provide for the retirement of principal on the revenue bonds at such time as principal payments are required.
- Reserve Account - The Reserve Account was created to retire the last of the outstanding bonds and/or for the purpose of paying interest on and principal of the bonds whenever monies held for the credit of the Bond Interest Account and the Redemption Account shall be insufficient for such purpose.

The Authority also operates the Dallas North Tollway and Mountain Creek Lake Bridge, which are separate entities under law, and for which separate individual financial statements are prepared in accordance with trust agreements. In addition, one set of financial statements is prepared to present the accounts of the Dallas-Fort Worth Turnpike Transition Trust Fund, the Feasibility Study Fund and the Equipment Account.

(Continued)

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

NOTES TO FINANCIAL STATEMENTS

(2) Cash and Investments

The Authority, in accordance with the Trust Agreement, is authorized to invest in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government, indirect obligations of the United States of America such as bonds or other obligations issued by any Federal Agency, or other investments authorized by the Authority provided they are collateralized by Federal Government backed securities.

Cash and investments at December 31, 1988 consisted of the following with interest yields ranging from 7.950% to 8.809%:

	<u>Cost</u>	<u>Market</u>
Cash	\$ 382,208	382,208
Federal Home Loan Bank discount note	204,110	197,480
U.S. Treasury strips	12,611,060	12,443,449
Repurchase agreements secured by Federal securities	<u>1,331,855</u>	<u>1,331,855</u>
	\$ <u>14,529,233</u>	<u>14,354,992</u>

At December 31, 1988, cash and repurchase agreements were fully collateralized in accordance with the Trust Agreement. All cash, investments and collateral are held by the Authority's Trustee in the Authority's name.

(3) Construction and Property

Included in the capitalized costs of the Construction and Property Fund, in accordance with the Trust Agreement, are costs incurred in connection with the offering, sale and issuance of bonds for construction purposes; discount on the sale of those bonds; bond interest expense, net of income earned from investment of funds; the cost of certain real estate for right-of-way requirements; and administrative and legal expenses incurred during the construction period.

(4) Revenue Bonds

To provide for the partial refunding of the outstanding Houston Ship Channel Bridge Revenue Bonds Series 1978, the Authority issued \$27,927,229 of Houston Ship Channel Bridge Junior Lien Revenue Refunding Bonds Series 1985 dated December 1, 1985. Such debt is in the form of 12.625% convertible capital appreciation bonds due on January 1, 2020 with an appreciated value at that time of \$95,615,000. Interest accretion of \$12,655,601 has increased the outstanding amount to \$40,582,830 at December 31, 1988.

(Continued)

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

NOTES TO FINANCIAL STATEMENTS

In 1985, sufficient U.S. Government Securities were purchased with the net proceeds from the Series 1985 bonds and placed in an irrevocable escrow account with First City Bank National Bank of Houston to provide for the specified debt requirements of the refunded portion of the Series 1978 bonds. During 1987, the securities held in escrow were sold and proceeds used to purchase U.S. Treasury Securities - State and Local Government Series. The irrevocable escrow account currently holds sufficient U.S. Treasury Securities - State and Local Government Series to pay for the outstanding refunded obligations of interest in the amount of \$7,167,550 at December 31, 1988.

As a result of the partial refunding, no debt service is due until January 1, 1989. The Authority has outstanding principal of \$95,800,000 of Series 1978 Bonds as of December 30, 1988 which will continue to be secured by a pledge of and lien on the net revenues of the Authority which is superior to the pledge and lien securing the 1985 bonds.

Debt service requirements on the outstanding bonds as of December 31, 1988 are as follows:

	Series 1978 <u>Bonds</u>	Series 1985 <u>Bonds</u>	<u>Total</u>
1989	\$ 6,163,660	-	6,163,660
1990	9,380,710	-	9,380,710
1991	9,380,330	-	9,380,330
1992	9,376,800	-	9,376,800
1993	9,380,500	-	9,380,500
Thereafter	<u>140,687,325</u>	<u>332,056,631</u>	<u>472,743,956</u>
	184,369,325	332,056,631	516,425,956
Less amounts representing			
interest to be paid	88,569,325	236,441,631	325,010,956
future interest accretion	-	<u>55,032,170</u>	<u>55,032,170</u>
Principal due	<u>\$ 95,800,000</u>	<u>40,582,830</u>	<u>136,382,830</u>

Under the terms of the Trust Agreement, \$12,205,000 of Series 1978 Serial Bonds are to be redeemed beginning January 1, 1989 in amounts as set forth in the Trust Agreement. Principal due on January 1, 1989 of \$2,145,000 was deposited with the paying agent on December 31, 1988, leaving a balance of \$10,060,000. The remaining \$85,740,000 of Series 1978 Term Bonds and the \$95,615,000 of Series 1985 bonds are subject to mandatory sinking fund requirements in amounts as set forth in the Trust Agreement.

(Continued)

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

NOTES TO FINANCIAL STATEMENTS

Interest on the bonds is paid semiannually on January 1 and July 1. Interest due on January 1, 1989 in the amount of \$3,283,890 was deposited with the paying agent on December 30, 1988; accordingly, there is no liability reflected in the accompanying financial statements for such interest at December 31, 1988.

Both series of bonds may be redeemed prior to maturity on or after January 1, 1988 and July 1, 2002, respectively, at the option of the Authority, at the redemption prices as set forth in the Trust Agreement.

Pursuant to the Trust Agreement, the Authority covenants that it will at all times keep in effect a plan for toll collecting facilities and a schedule of rates of tolls which will produce each year an amount of toll revenues from the operation of the Bridge as follows:

1989	\$ 7,616,000
1990	10,230,000

During 1988, toll revenues were not sufficient to meet the current year requirement of \$6,019,000 by \$222,363.

Accordingly, as required by the Trust Agreement, the Authority requested the designated traffic engineers to perform a review and provide their recommendations as to the revisions, if any, which should be made in the schedule of rates of tolls in order to cause toll revenues to meet the toll covenant as stated above.

For the years subsequent to 1990, "net revenues" to be collected should be equal to the greater of the sum of the Series 1978 debt service, aggregate annual debt service and reserve maintenance payments for such year or 1.10 times the sum of the Series 1978 debt service and aggregate annual debt service for such year. Net revenues for any fiscal year is defined as revenues less current expenses of the Bridge for such fiscal year.

(5) Employees' Retirement Plan

All full-time employees participate in a retirement plan with the Employees' Retirement System of Texas. Employees contribute 6% and the Authority matches with a contribution of 7% of employees' gross earnings excluding premium pay for overtime. Total retirement expense allocated to Houston Ship Channel Bridge for the Authority employees for the year ended December 31, 1988 was approximately \$38,300. The Authority incurs no other expense and has no other liability under the plan.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

NOTES TO FINANCIAL STATEMENTS

(6) Commitments

The Authority has an operating lease agreement for the rental of the automatic toll collection equipment. The term of the agreement expires September 1989 with a renewal option. Expense for the year ended December 31, 1988 was \$75,396. The remaining payments due under the terms of the contract through September 1989 are \$56,238.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

STATEMENT OF CAPITALIZED COSTS

DECEMBER 31, 1988

	<u>Capitalized during 1988</u>	<u>Cumulative total through December 31, 1988</u>
Preliminary Costs:		
Series 1978 Revenue Bonds	\$ -	3,230,263
Series 1985 Revenue Bonds	<u>-</u>	<u>1,621,718</u>
	-	4,851,981
Administration	-	1,112,188
Right-of-Way	-	4,553,994
Completed Construction	-	60,685,538
Engineering and Maintenance	78	6,929,592
Equipment	<u>7,197</u>	<u>360,614</u>
TOTAL EXCLUDING FINANCING COSTS	<u>7,275</u>	<u>78,493,907</u>
Financing costs	-	40,391,914
Less Earnings on Interim Investments	<u>-</u>	<u>(23,414,569)</u>
	<u>-</u>	<u>16,977,345</u>
 CAPITALIZED COST OF HOUSTON SHIP CHANNEL BRIDGE AT DECEMBER 31, 1988	 \$ <u>7,275</u>	 <u>95,471,252</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

TOLL REVENUE AND TRAFFIC ANALYSIS

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	<u>1988</u>	<u>1987</u>
<u>TOLL REVENUE</u>		
Two-axle vehicles	\$ 4,736,013	4,923,289
Multi-axle vehicles	1,049,771	885,361
Revenue adjustments	10,853	11,175
Total	<u>\$ 5,796,637</u>	<u>5,819,825</u>
Percent increase (decrease)	(0.4)%	50.4%
<u>VEHICLES</u>		
Two-axle vehicles	3,788,810	4,043,507
Multi-axle vehicles	305,168	274,312
Nonrevenue vehicles	<u>91,032</u>	<u>93,898</u>
Total	<u>4,185,010</u>	<u>4,411,717</u>
<u>MILES</u>		
Two-axle vehicles	15,988,870	17,063,637
Multi-axle vehicles	1,287,632	1,157,543
Nonrevenue vehicles	<u>384,172</u>	<u>396,291</u>
Total	<u>17,660,674</u>	<u>18,617,471</u>
<u>TOLL REVENUE - AVERAGE PER DAY</u>		
Two-axle vehicles	\$ 12,940	13,488
Multi-axle vehicles	2,868	2,426
Revenue adjustments	30	31
Average	<u>\$ 15,838</u>	<u>15,945</u>
<u>VEHICLES - AVERAGE PER DAY</u>		
Two-axle vehicles	10,352	11,078
Multi-axle vehicles	834	752
Nonrevenue vehicles	<u>248</u>	<u>257</u>
Average	<u>11,434</u>	<u>12,087</u>
<u>MILES - AVERAGE PER DAY</u>		
Two-axle vehicles	43,685	46,750
Multi-axle vehicles	3,518	3,171
Nonrevenue vehicles	<u>1,050</u>	<u>1,086</u>
Average	<u>48,253</u>	<u>51,007</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

TOLL REVENUE AND TRAFFIC BY CLASS OF VEHICLE

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

<u>CLASS OF VEHICLE</u>	<u>1988</u>		
	<u>Revenue</u>	<u>Vehicles</u>	<u>Miles</u>
Two-axle vehicles	\$ <u>4,736,013</u>	<u>3,788,810</u>	<u>15,988,870</u>
Three-axle vehicles and combinations	119,853	53,268	224,703
Four-axle vehicles and combinations	65,685	21,895	92,266
Five or more axle vehicles and combinations	<u>864,233</u>	<u>230,005</u>	<u>970,663</u>
	<u>1,049,771</u>	<u>305,168</u>	<u>1,287,632</u>
	5,785,784	4,093,978	17,276,502
Toll revenue variance	10,853	-	-
Nonrevenue vehicles	-	91,032	384,172
TOLL REVENUE AND TRAFFIC	\$ <u>5,796,637</u>	<u>4,185,010</u>	<u>17,660,674</u>

<u>CLASS OF VEHICLE</u>	<u>1987</u>		
	<u>Revenue</u>	<u>Vehicles</u>	<u>Miles</u>
Two-axle vehicles	\$ <u>4,923,289</u>	<u>4,043,507</u>	<u>17,063,637</u>
Three-axle vehicles and combinations	114,119	52,977	223,519
Four-axle vehicles and combinations	56,381	19,628	82,787
Five or more axle vehicles and combinations	<u>714,861</u>	<u>201,707</u>	<u>851,237</u>
	<u>885,361</u>	<u>274,312</u>	<u>1,157,543</u>
	5,808,650	4,317,819	18,221,180
Toll revenue variance	11,175	-	-
Nonrevenue vehicles	-	93,898	396,291
TOLL REVENUE AND TRAFFIC	\$ <u>5,819,825</u>	<u>4,411,717</u>	<u>18,617,471</u>

See accompanying independent auditors' report.

TEXAS TURNPIKE AUTHORITY
HOUSTON SHIP CHANNEL BRIDGE

CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	<u>Construction and Property Fund</u>
BALANCE OF CASH DECEMBER 31, 1987	\$ <u>403,241</u>	<u>-</u>
Receipts:		
Toll revenues	5,529,722	-
Matured investments	111,171,753	-
Earnings received from investments	932,793	-
Scrip ticket sales	282,824	-
Leasing Revenue	6,000	-
Damage claims collected	256	-
Miscellaneous	25	-
Reimbursable receipts	13	-
	<u>117,923,386</u>	<u>-</u>
Disbursements:		
Revenue bonds retired	(2,145,000)	-
Interest paid on bonded debt	(3,283,890)	-
Interim investments	(96,752,397)	-
Operating expenses	(15,438,230)	-
Nonrecurring expenses	(304,709)	-
Equipment (net of trade-in)	(20,046)	-
Reimbursable costs	(147)	-
	<u>(117,944,419)</u>	<u>-</u>
Interfund and interproject transactions:		
Distribution from Revenue Fund	-	-
Transfer of excess monies from Bond Interest Account	-	-
Transfer from Reserve Account	-	-
	<u>-</u>	<u>-</u>
Receipts over (under) Disbursements for Year	<u>(21,033)</u>	<u>-</u>
BALANCE OF CASH DECEMBER 31, 1988	\$ <u><u>382,208</u></u>	<u><u>-</u></u>

See accompanying independent auditors' report.

Revenue Fund	Operation and Maintenance Fund	Reserve Maintenance Fund	Surplus Fund	Debt Service Fund		
				Bond interest account	Reserve account	Redemption account
<u>125,218</u>	<u>264,404</u>	<u>13,619</u>	-	-	-	-
5,529,722	-	-	-	-	-	-
14,110,465	5,380,411	38,480,993	-	43,890,268	9,309,616	-
16,470	6,662	437,905	-	149,366	322,390	-
282,824	-	-	-	-	-	-
6,000	-	-	-	-	-	-
-	256	-	-	-	-	-
25	-	-	-	-	-	-
-	13	-	-	-	-	-
<u>19,945,506</u>	<u>5,387,342</u>	<u>38,918,898</u>	-	<u>44,039,634</u>	<u>9,632,006</u>	-
-	-	-	-	-	-	(2,145,000)
-	-	-	-	(3,283,890)	-	-
-	(5,387,073)	(38,603,898)	-	(43,896,791)	(8,864,635)	-
(14,123,614)	(1,314,616)	-	-	-	-	-
-	-	(304,709)	-	-	-	-
-	-	(20,046)	-	-	-	-
-	(147)	-	-	-	-	-
<u>(14,123,614)</u>	<u>(6,701,836)</u>	<u>(38,928,653)</u>	-	<u>(47,180,681)</u>	<u>(8,864,635)</u>	<u>(2,145,000)</u>
(5,837,027)	1,318,350	-	-	3,957,677	132,385	428,615
-	-	-	-	(816,630)	-	816,630
-	-	-	-	-	(899,755)	899,755
<u>(5,837,027)</u>	<u>1,318,350</u>	<u>-</u>	<u>-</u>	<u>3,141,047</u>	<u>(767,370)</u>	<u>2,145,000</u>
(15,135)	3,856	(9,755)	-	-	1	-
<u>110,083</u>	<u>268,260</u>	<u>3,864</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>

TEXAS TURNPIKE AUTHORITY

DALLAS-FORT WORTH TURNPIKE TRANSITION TRUST FUND
TEXAS TURNPIKE AUTHORITY FEASIBILITY STUDY FUND
EQUIPMENT ACCOUNT

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DECEMBER 31, 1988

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

Certified Public Accountants

Peat Marwick Main & Co.

Suite 1400
Thanksgiving Tower
1601 Elm Street
Dallas, TX 75201

INDEPENDENT AUDITORS' REPORT

Board of Directors
Texas Turnpike Authority:

We have audited the accompanying statement of financial condition of the Dallas-Fort Worth Turnpike Transition Trust Fund, the Feasibility Study Fund and the Equipment Account of Texas Turnpike Authority as of December 31, 1988 and the related statements of revenues and expenses and changes in fund equity for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Dallas-Fort Worth Turnpike Transition Trust Fund, the Feasibility Study Fund and the Equipment Account of Texas Turnpike Authority at December 31, 1988 and the results of their operations and the changes in their fund equity for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Peat Marwick Main & Co.

February 24, 1989



TEXAS TURNPIKE AUTHORITY
STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1988

	Total (memorandum only)	DFW Turnpike Transition Trust Fund	TTA Feasibility Study Fund	TTA Equipment Account
<u>Assets</u>				
Cash (note 2)	\$ 77,256	20,314	56,942	-
Investments at cost, which approximates market (note 2)	2,053,079	346,803	1,706,276	-
Accrued earnings receivable on investments	7,838	-	7,838	-
Prepaid expenses	313	313	-	-
Deferred study costs (note 3)	1,518,753	-	1,518,753	-
Equipment	950,690	-	-	950,690
	<u>\$ 4,607,929</u>	<u>367,430</u>	<u>3,289,809</u>	<u>950,690</u>
<u>Liabilities</u>				
Accounts payable	\$ 41,198	-	41,198	-
Due to Dallas North Tollway	14,125	4,032	10,093	-
Due to Houston Ship Channel Bridge	34	-	34	-
Recurring accrued liabilities	6,000	3,000	3,000	-
Retained from contractors	34,276	-	34,276	-
	<u>95,633</u>	<u>7,032</u>	<u>88,601</u>	<u>-</u>
<u>Fund Equity</u>				
Contributed capital	349,593	-	349,593	-
Fund balances	4,162,703	360,398	2,851,615	950,690
	<u>4,512,296</u>	<u>360,398</u>	<u>3,201,208</u>	<u>950,690</u>
Total liabilities and fund equity	<u>\$ 4,607,929</u>	<u>367,430</u>	<u>3,289,809</u>	<u>950,690</u>

See accompanying notes to financial statements.

TEXAS TURNPIKE AUTHORITY
 STATEMENT OF REVENUES AND EXPENSES
 YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	DFW Turnpike Transition Trust Fund	TTA Feasibility Study Fund
Revenues:			
Earnings from interim investments	\$ 175,245	25,917	149,328
Other income	<u>3,236</u>	-	<u>3,236</u>
	<u>178,481</u>	<u>25,917</u>	<u>152,564</u>
Expenses:			
Administration	11,672	5,479	6,193
Engineering/Maintenance	9	-	9
Deferred study costs expensed	110,172	-	110,172
Accounting	6,498	3,239	3,259
Insurance	<u>42,036</u>	<u>41,633</u>	<u>403</u>
	<u>170,387</u>	<u>50,351</u>	<u>120,036</u>
Revenues over (under) expenses	\$ <u><u>8,094</u></u>	<u><u>(24,434)</u></u>	<u><u>32,528</u></u>

See accompanying notes to financial statements.

TEXAS TURNPIKE AUTHORITY
STATEMENT OF CHANGES IN FUND EQUITY
YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	DFW Turnpike Transition Trust Fund	TTA Feasibility Study Fund	TTA Equipment Account
Fund balances December 31, 1987	\$ <u>4,231,501</u>	<u>384,832</u>	<u>2,819,087</u>	<u>1,027,582</u>
Revenues	178,481	25,917	152,564	-
Expenses	<u>(170,387)</u> 8,094	<u>(50,351)</u> (24,434)	<u>(120,036)</u> 32,528	<u>-</u> -
Cost of equipment retired	<u>(76,892)</u>	<u>-</u>	<u>-</u>	<u>(76,892)</u>
Fund balances December 31, 1988	4,162,703	360,398	2,851,615	950,690
Contributed Capital (note 4)	<u>349,593</u>	<u>-</u>	<u>349,593</u>	<u>-</u>
Fund equity December 31, 1988	\$ <u><u>4,512,296</u></u>	<u><u>360,398</u></u>	<u><u>3,201,208</u></u>	<u><u>950,690</u></u>

See accompanying notes to financial statements.

TEXAS TURNPIKE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1988

(1) Organization and Accounting Policies

The Texas Turnpike Authority (Authority) is an agency of the State of Texas authorized and empowered by the Texas Turnpike Authority Act (Act) to construct, maintain, repair and operate turnpike and other projects at such locations within the State as may be determined by the Authority, subject to approval as to location by the State Highway and Public Transportation Commission. The Authority is further authorized to issue revenue bonds, payable solely from tolls and other revenue of the authority, for the purpose of paying all or any part of the cost of a project. Under the provisions of the Act, revenue bonds shall not be deemed to constitute a debt or pledge of the faith and credit of the State of Texas or of any political subdivision thereof.

The Dallas-Fort Worth Turnpike became a toll free highway on December 31, 1977 in accordance with Senate Bill 194 which provided for the transition of the Dallas-Fort Worth Turnpike and all related properties, as a toll free highway, to the State Department of Highways and Public Transportation (Transition). In connection with the Transition, Senate Bill 194 provided for the following:

- The establishment of the Dallas-Fort Worth Turnpike Transition Trust Fund to account for the payment of transition costs and other obligations payable from funds of the Dallas-Fort Worth Turnpike at December 31, 1977,
- The establishment of the Texas Turnpike Authority Feasibility Study Fund (Study Fund) for the financing of feasibility studies, as authorized by the Authority, and
- The retention for the Authority of such equipment and related assets as usable by the Authority in the operation of other projects. Such assets are accounted for in the Equipment Account and are not subjected to depreciation as the equipment and related assets are held in a custodial capacity only and will not be replaced by the Authority.

The accounts of the Dallas-Fort Worth Turnpike Transition Trust Fund and the Equipment Account assets and liabilities were transferred from the Dallas-Fort Worth Turnpike in accordance with provisions of Senate Bill 194 as described in the preceding paragraph. All assets and liabilities transferred have been recorded at predecessor carrying values, generally at cost.

(Continued)

TEXAS TURNPIKE AUTHORITY
NOTES TO FINANCIAL STATEMENTS

The Authority currently operates the Dallas North Tollway, Houston Ship Channel Bridge and Mountain Creek Lake Bridge, which are separate entities under law, and for which separate individual financial statements are prepared in accordance with trust agreements.

(2) Cash and Investments

The Authority is authorized to invest in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States government, indirect obligations of the United States of America such as bonds or other obligations issued by any Federal agency, or other investments authorized by the Authority provided they are collateralized by Federal government backed securities.

Cash and investments at December 31, 1988 consisted of the following with interest yields ranging from 8.28% to 9.121%:

	<u>Cost</u>	<u>Market</u>
Cash	\$ 77,256	77,256
Repurchase agreements secured by		
Federal securities	391,700	391,700
FHLB discount notes	242,785	236,590
FHLMC discount notes	257,298	254,568
FFCB discount notes	<u>1,161,296</u>	<u>1,151,768</u>
	<u>\$ 2,130,335</u>	<u>2,111,882</u>

At December 31, 1988, cash in excess of FDIC insurance and repurchase agreements were fully collateralized in accordance with the Trust Agreement. All cash, investments and collateral are held by the Authority's agent in the Authority's name.

(3) Deferred Study Costs

The costs of studies funded by the Study Fund are deferred until such time as the feasibility of the project is determined. If the project is pursued, the Study Fund is reimbursed for related study costs from the proceeds of the project's bond issue. However, the study costs associated with projects determined to be unfeasible are expensed immediately upon such determination.

(4) Contributed Capital

Contributed capital during the year amounted to \$349,593, of which \$294,593 was contributed by the Federal Railroad Administration as part of the Texas High Speed Rail Study Grant. The balance of \$55,000 was contributed by private interest groups. All of the contributed capital is restricted to the high speed rail study project.

TEXAS TURNPIKE AUTHORITY
 CASH RECEIPTS AND DISBURSEMENTS
 YEAR ENDED DECEMBER 31, 1988

	Total (memorandum only)	DFW Turnpike Transition Trust Fund	TTA Feasibility Study Fund
BALANCE OF CASH DECEMBER 31, 1987	\$ 25,150	13,205	11,945
Receipts:			
Matured investments	7,214,367	1,093,439	6,120,928
Sale of equipment	3,236	-	3,236
Earnings received from investments	189,865	28,003	161,862
Contributed capital received	349,593	-	349,593
	<u>7,757,061</u>	<u>1,121,442</u>	<u>6,635,619</u>
Disbursements:			
Interim investments	(6,423,649)	(1,064,776)	(5,358,873)
Transition costs	(49,557)	(49,557)	-
Deferred study costs	(1,222,892)	-	(1,222,892)
Operating expenses	(8,857)	-	(8,857)
	<u>(7,704,955)</u>	<u>(1,114,333)</u>	<u>(6,590,622)</u>
Receipts over Disbursements for Year	52,106	7,109	44,997
BALANCE OF CASH DECEMBER 31, 1988	\$ <u><u>77,256</u></u>	<u><u>20,314</u></u>	<u><u>56,942</u></u>

See accompanying independent auditors' report.