

2007 Annual Report

Mobilizing the Future



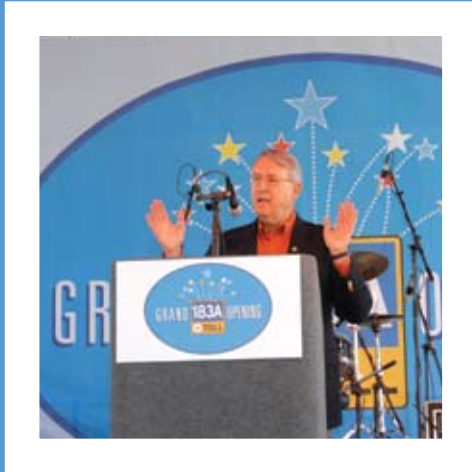
CENTRAL TEXAS
Regional Mobility Authority



On a brisk, clear Central Texas morning in March 2007 more than 4,000 people gathered to celebrate a momentous occasion; the opening of the long sought after 183A toll road. Most in attendance were probably unaware of the years of struggle their community leaders had endured in the two decades leading up to that day. In fact many probably showed up purely for the 5K run or the free rides, food and music. Whatever their reasons for attending the grand opening event, in the weeks and months that followed, the benefits of the new road became overwhelmingly clear to everyone. Traffic volumes on 183A soared beyond all expectations, travel times in the corridor dropped dramatically and congestion on nearby roads subsided. The opening of 183A marked a pivotal moment in northwest Williamson County, transforming this congested corner of Central Texas into a corridor of golden opportunity marked by an **improved quality of life.**



A Message from the Chairman



Just five short years ago, the Central Texas Regional Mobility Authority didn't exist. 183A was an unfunded dream, and toll roads were an unfamiliar concept in Central Texas. When I accepted the Chairmanship of this newly formed agency in January 2003, I realized the challenges were huge as we sought to fulfill the longstanding dream of community leaders to build a greatly needed mobility solution in Williamson County.

As critics sought to undermine our leadership and test our resolve, the Board of this Authority remained steadfast in our commitment to bring congestion relief to the citizens of Central Texas in an expedited manner. Thanks

to the support of our partners, TxDOT, Williamson County, Travis County and numerous local cities, working together with our excellent team of transportation professionals, we were able to establish a firm financial footing from which to launch construction of 183A.

Today, I look back over those first tough years and find great satisfaction in the accomplishments of this team led by our agency's outstanding staff. From nothing, we have built a self-sustaining organization that has attracted some of the most competent and knowledgeable people in the transportation field. This year, as we celebrate the great success of our 183A project, we also celebrate the work of our people. And we acknowledge that our work is far from done. Congestion still plagues much of our region, and a long debated plan to address the situation is now moving forward under the leadership of farsighted members of the Capital Area Metropolitan Planning Organization.

With financial constraints still our biggest challenge, the Mobility Authority is utilizing all of its available tools to continue seeking innovative ways to structure the necessary financing to fund the much needed transportation infrastructure of our region. As we continue working together, with our community partners, we are continuing to gain momentum and are leading the way toward a comprehensive transportation system that will sustain our region's prosperity for decades to come.



Bob Tesch, Chairman

A Drive Down 183A

A Popular Route

Significant consumer demand and a well-crafted marketing plan have led 183A to become one of the most successful toll roads to open in recent history. Traffic projections for the new highway pegged toll transactions at 24,600 a day. During a two month free period that followed the roadway's opening, daily transactions peaked near 110,000. As cash customers began paying tolls in May 2007 and when full tolls took affect for TxTag customers in July 2007, the number of transactions settled to between 55,000 and 60,000. In fact, traffic at the mainline toll plaza alone has been nearly 25,000 vehicles a day, equal to the projections for the entire roadway. As a result, first year revenues are expected to significantly surpass what was originally expected. This will allow the Mobility Authority to move forward more rapidly with the next phase of the project: extending the 183A mainlanes north to Leander.

Driving Community Development

The opening of 183A has been accompanied by an onslaught of new development. At the northern end of the project, a large retail development featuring an H-E-B Plus grocery store has opened. A few miles south at the intersection of US 183 and Crystal Falls Parkway, the Leander Gateway Center is under development featuring a Lowe's Home Improvement Store. Much of the development is centered near 183A and FM 1431 where the Cedar Park Regional Medical Center was built, as well as a number of related office buildings. Nearby is 1890 Ranch, a retail center featuring a SuperTarget, Cinemark Theater and Circuit City.

Residential development is also booming in the area. A 343-acre development, known as the Villages of Messina, has been proposed along 183A. The development could eventually have more than 800 single family homes. To the west of 183A, a developer has assembled more than 5,000 acres with plans to build more than 13,000 homes. To date, 1,000 acres have been developed, with homes ranging in price from \$200,000 to \$1 million.



The day began with more than 300 participants running the Road to Hope 5k, which benefitted the Hope Alliance, Williamson County's domestic violence and sexual assault program

A crowd of over 4,000 was entertained by musical groups

Innovative Design

The Mobility Authority is among the industry leaders in implementing all-electronic toll collection. The southern section of 183A includes an all-electronic TxTag gantry where cash is not accepted. The all-electronic gantry is located where the existing US 183 turns into 183A. Currently, drivers must exit the roadway if they don't have a TxTag. This configuration has posed challenges for the Mobility Authority, but compliance has been much higher than originally anticipated - with 80% of customers paying with TxTag. The Mobility Authority has implemented a violation enforcement program to help improve compliance and will execute a video bill option as an alternative way for drivers to pay.



TxTag® Usage Soars

183A was envisioned as an all-electronic highway to the future, and it's living up to that vision. Nearly 80% of customers using the highway have a TxTag, more than many older toll roads around the country, and that number continues to grow. With so many people using TxTag, the Mobility Authority can save money by phasing out cash collection altogether. A plan to convert the rest of the road to all-electronic collection is currently being developed.



Ray Benson with members of Asleep at the Wheel



The Dust Devils



8 Ball Down



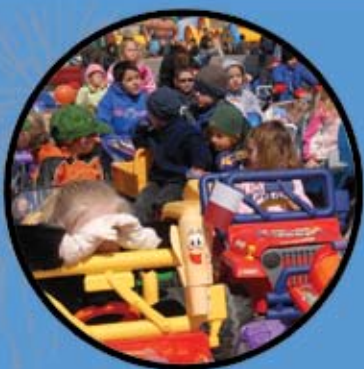
A Good Looking Road

Beautification was a top priority for the Mobility Authority during the construction of 183A. The bridges and retaining walls on 183A have an architectural style that is unique in Central Texas. All of the concrete structures have been painted colors that blend in with the natural environment. The standard galvanized steel light poles were replaced by powder coated brown poles with special light fixtures. The signal poles were also painted and mounted with attractive backlit street name signs. Natural stone retaining walls were used throughout the project, and a colorful agency logo was attached to all of the bridge abutments to highlight the distinctive character of the facility.



Blending in With the Community

In response to concerns from nearby residents about noise, privacy and safety, the Mobility Authority agreed to spend \$1.6 million to construct an attractive eight foot tall concrete block wall along a one mile stretch of the Blockhouse Creek and Ridgewood South subdivisions. The concrete block used for the wall has a textured finish and was pre colored with a natural tan pigment. A dark brown stripe near the top of the wall adds additional character.



The ribbon was cut by over 50 power wheels driven by area kids

30 local community groups participated in a Community Expo



Natural Appeal

Tiered natural stone walls filled with native bushes and plants traverse most of the intersections along 183A. A variety of trees have been planted in strategic areas to break up the tall flat appearance of concrete retaining walls and to buffer nearby neighborhoods.



A Blossoming Roadway

The Mobility Authority has formed a partnership with the Lady Bird Johnson Wildflower Center to provide the planting design and specifications for the seeding of wildflowers along the 183A project. The wildflowers will be used to enhance the aesthetic appeal of the roadway and to control erosion. The Wildflower Center will conduct post seeding vegetation surveys, compile a report and make recommendations for how the results may be applied to future roadside stabilization projects.



A family area with entertainers, inflatables and rides captivated the crowd





Counties Leading the Way

The Mobility Authority is the product of a historic partnership between Travis and Williamson counties. The farsighted leaders of these two counties came together in 2002 to tackle the looming transportation funding crisis head on. Together, they petitioned the Texas Transportation Commission to create the Mobility Authority, and they provided the seed money necessary to give the agency life. Today, their commitment is paying dividends as the Mobility Authority works to fill an ever increasing transportation funding gap.



Travis County Commissioners Court

Travis County Statistics

Population 921,006

Median Household Income \$45,288

Median Age 32.3

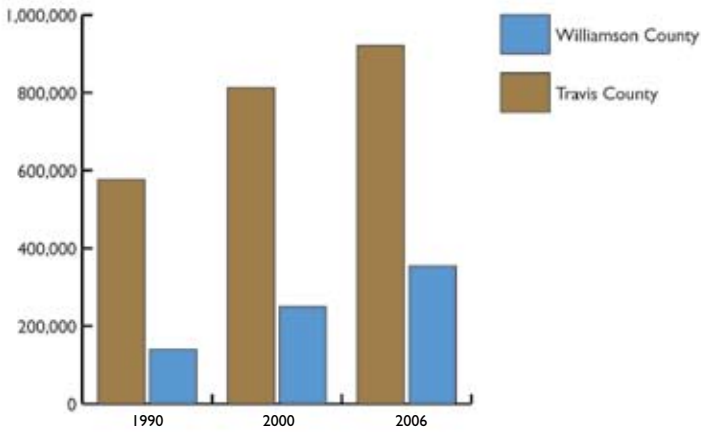
Market Value of Real Property \$91 billion

Percent Living in Poverty 14.3%

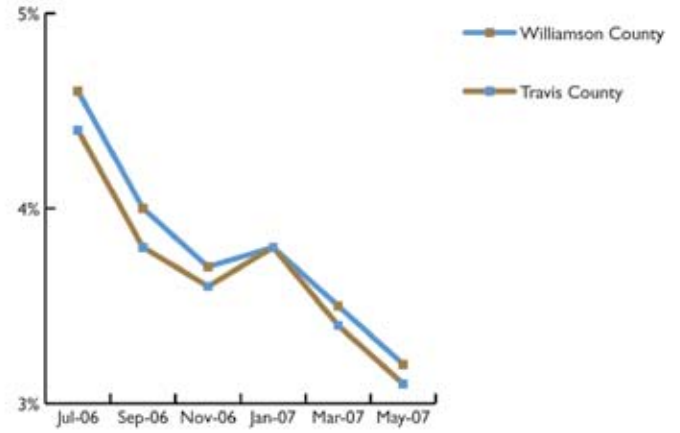
Travis County, Texas

As the seat of state government, Travis County is at the heart of what is happening in Texas. The county has grown tremendously since 1990, nearly doubling its population while maintaining a unique charm. To the east, the county encompasses rolling hills and farmland, to the west, a rugged, arid hill country. At the center of Travis County is the City of Austin, a cultural phenomena all its own. Billed as the live music capital of the world, Austin is home to an eclectic mix of people, a thriving commercial center and numerous universities including the flagship, University of Texas.

Population



Unemployment



Williamson County Commissioners' Court

Williamson County Statistics

- Population 353,830
- Median Household Income \$63,748
- Median Age 33.2
- Market Value of Real Property \$29 billion
- Percent Living in Poverty 7.1%

Williamson County, Texas

A dynamic suburban county north of downtown Austin, Williamson County is the 12th fastest growing county in the U.S., having doubled its population over the last decade. Driven by a high-tech industry that is bolstered by the international headquarters of Dell Computers, Williamson County is home to a highly educated and well compensated workforce. Known for its affordable housing, low crime rate and progressive leadership, Williamson County is expected to be a hotbed for development and growth for years to come.

Mobility Authority Board

The opening of 183A is a milestone in the short history of the Mobility Authority, and it would not have been possible without the vision and dedication of a small group of community leaders who accepted the call to serve in January 2003. With a bare bones budget and no staff to support them, these seven individuals formed the original Board of Directors and began the arduous task of building an organization from the ground up.

Over time, some members, like Mike Robinson and Johanna Zmud, reluctantly relinquished their role, and others took up the charge. Today, with five of the original founding members remaining, including Chairman Robert Tesch, a consistent and stable vision for the agency remains.



Robert Tesch, Chairman

Chairman Tesch was appointed Chairman of the Mobility Authority by the Governor at its creation in January 2003 and was re-appointed in 2007. Mr. Tesch owns and operates a real estate investment and development company. He is a member of the Austin Area Research Council Transportation Committee. He also serves on the Board of Visitors for Southwestern University. Mr. Tesch is a former Board Member of the Cedar Park Chamber of Commerce and the Cedar Park Economic Development Corporation, and he served on the Cedar Park Bond Task Force in 2002 and 2007. He is a veteran of the United States Navy and a 1969 graduate of the University of Texas, College of Business Administration.



Lowell H. Lebermann, Jr., Vice Chairman

Mr. Lebermann is the owner and Chairman of the Board of Centex Beverage, Inc. Lebermann is a former Austin City Council Member and previously served as Chairman of the Capital Area Metropolitan Planning Organization as well as Director of Valero Energy. Mr. Lebermann has served on the University of Texas Board of Regents, and in 2002, he was recipient of the "Austinite of the Year" award. Appointed by Travis County, he has served on the Mobility Authority Board since January 2003.



Robert L. Bennett, Jr., Treasurer

Mr. Bennett is retired from the City of Round Rock where he spent 23 years as City Manager creating a visionary model of public private partnerships now replicated throughout Texas and the U.S. He led the city through an immense population growth period, which included managing utility acquisitions during a difficult financial period. When not enjoying his retirement, Bennett provides consulting services and teaches. He joined the Mobility Authority Board in January 2003, as an appointee of Williamson County.



Henry H. Gilmore

Mr. Gilmore is a Partner in the law firm of DuBois, Bryant, Campbell and Schwartz, LLP, specializing in municipal and land use law. He has served on the City of Austin Planning Commission and the Greater Austin Chamber of Commerce Board. Gilmore will also serve on the Real Estate Council of Austin Board of Directors in 2008. As an appointee of Travis County, Gilmore has been on the Mobility Authority Board since January 2003.



Nikelle Meade

Ms. Meade is a Partner with the law firm of Brown McCarroll, LLP. Meade specializes in government work, representing clients before federal, state and local agencies. Her background includes work as a Judicial Intern to Supreme Court Justice Jack Hightower and as a Legislative Intern to State Representative Dawnna Dukes. Meade serves on the Real Estate Council of Austin's Executive Committee and joined the Mobility Authority Board in March 2007 for Travis County.



James H. Mills

Mr. Mills is the President of Rivercrest Group in Georgetown, Texas and has been actively involved in the provision of utilities to various developments throughout Central Texas. Mr. Mills directed the development of the Williamson County Municipal Utility District #1 and the Wells Branch Municipal Utility District. He was "Citizen of the Year" in the City of Round Rock and has been a Williamson County appointee of the Mobility Authority Board since January 2003.



David Singleton

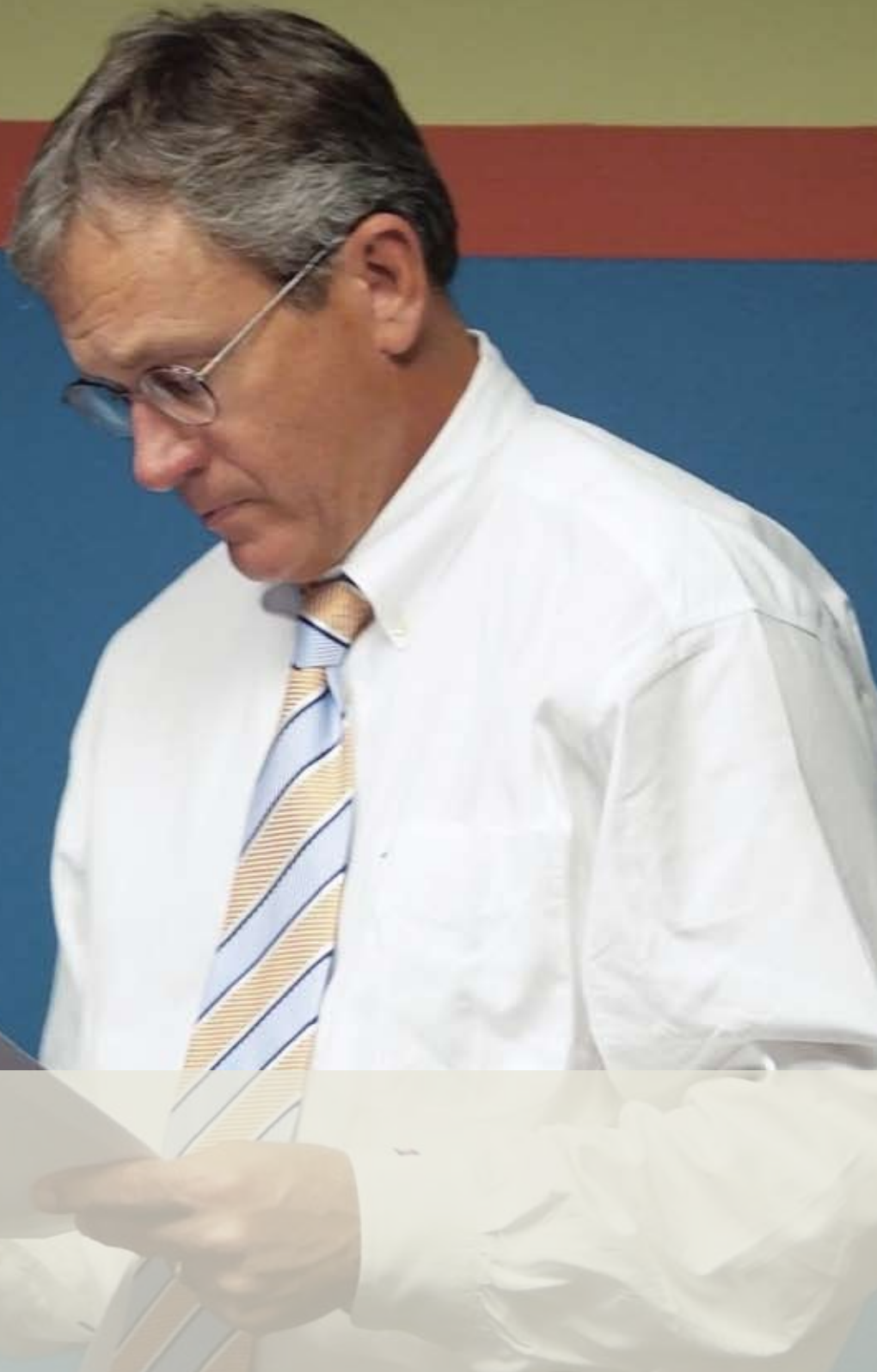
Mr. Singleton is the President of Southwest Land Services, Inc., a land planning and construction management consulting service. Singleton previously served as the Director of Public Works for the City of Leander and is a past member of the Cedar Park Chamber of Commerce Board. In 2000, Singleton served on a Williamson County Bond Task Force that brought over \$375 million to the area. He has represented Williamson County on the Mobility Authority Board since February 2004.

An Experienced Staff on the Move

From humble beginnings, the Mobility Authority has evolved into a dynamic organization with a diverse staff of professionals that is committed to keeping the organization flexible and efficient. Now celebrating its fifth year in existence, the agency employs just 14 individuals who contract with outside firms on an as needed basis to accomplish much of the organization's work. The management model incorporates the best practices of the private sector while ensuring the level of accountability and transparency demanded of a public organization. As community leaders look for new and innovative ways to overcome funding limitations in the face of growing congestion, the Mobility Authority is prepared to expeditiously adapt and respond to the rapidly changing transportation universe.



Mike Heiligenstein was hired as Executive Director of the Mobility Authority in November 2003 and has been instrumental in guiding the early development of the agency. Heiligenstein spent 23 years in public service to the region prior to joining the Mobility Authority, eight as a City Council Member in the City of Round Rock and 15 as a Williamson County Commissioner before stepping down to lead the Mobility Authority. He was a founding member and vice chair of the Austin-San Antonio Corridor Council and a founding member and board member of Envision Central Texas. Heiligenstein is a past chairman of the Central Texas Clean Air Force and participated in many additional environmental committees. Heiligenstein has a Bachelors and Masters in Government plus a Masters of Business Administration, all from the University of Texas in Austin.



Department of Executive Director

Cecilia Martinez



Mary Clinton



Working to Clean the Air

Central Texas has been proactively working to maintain its clean air and avoid the restrictions associated with becoming a non-attainment area. With mandatory emissions inspections, cleaner fuels and the public education work of the Central Texas Clean Air Force, the region has seen air quality improve in recent years. With talk of tougher standards on the horizon, the Mobility Authority has been partnering with the Clean Air Force to ensure Central Texas stays off the Environmental Protection Agency's non-attainment list.

In FY 2007, that partnership included sponsorship of a student produced ad campaign promoting efforts to clean the air. The Mobility Authority has also agreed to implement a number of policies aimed at reducing air pollution:

- Low VOC striping material
- Tree planting
- Direct deposit
- Fueling of vehicles in the evening
- Employee education program
- Public education program
- Ozone Action Day notification program

Teaming Up With Other Mobility Authorities

To meet transportation funding challenges statewide, eight communities in Texas have now formed their own Regional Mobility Authorities (RMA). As the only Mobility Authority with an operating roadway and a full staff of transportation experts, the Central Texas Regional Mobility Authority has been providing technical assistance to many of its sister agencies. Staff has worked closely with the Alamo, Northeast Texas, Camino Real and Hidalgo County RMA's to assist them with legal, financial and operational issues.



Supporting Bicycle and Pedestrian Connectivity

During construction of 183A, the Mobility Authority identified a corridor for development of a pathway for bicycles and pedestrians. The Mobility Authority has initiated design work on phase one of the project, which will run from Brushy Creek north to FM 1431 at the Cedar Park Town Center. Phase one will include a parking area underneath the 183A/Brushy Creek Bridge. Efforts are currently underway to identify funding for construction of the project. Phase two will run through the Cedar Park Town Center and will be dependent upon funding from the City of Cedar Park. Phase three will likely be constructed when the tolled portion of 183A is extended further north in the next few years.



A Vision for the Future

Every two years the Mobility Authority is required to implement a strategic planning process. The 2006 Strategic Plan identified five strategic goals for the agency:

- Provide expertise in the development of solutions to our region's mobility challenges
- Deliver mobility projects expeditiously
- Create new economic development opportunities
- Identify financial alternatives
- Maintain transparent operations through open communication with local leaders, customers and citizens

Helping the Region Grow

Transportation and development are closely linked. As transportation improvements take place, opportunities for economic development are enhanced; this drives toll revenue growth. To help promote development along the 183A corridor, in FY 2007 the Mobility Authority produced an economic development handout entitled, "On the Horizon." The handout featured a map of the 183A corridor and highlighted all of the commercial and residential properties that were under development, proposed for development or available for development. The handout featured information about Leander's planned 2,300 acre Transit-Oriented Development and provided data about population and employment trends in the area.



Mario Espinoza is a Central Texas native who has spent nearly 20 years managing government relations for some of the region's top public agencies. Espinoza began his 20 year career as a graduate intern for prominent U.S. Congressman J.J. "Jake" Pickle and worked briefly for Price/Waterhouse in Austin before joining the City of Austin in 1990. Espinoza served as Deputy Intergovernmental Relations Officer for the City before joining Austin Energy as Vice President of Government Relations in 1996. Then in 2001, Espinoza accepted a position with the Lower Colorado River Authority as Manager of Communication Strategies and later assumed the role of Manager of City Governmental Affairs. Espinoza joined the Mobility Authority in 2005 and has been working to build partnerships with other agencies and to move the region's transportation program forward. Espinoza is a graduate of Texas State University with a Bachelors in Business Administration. In addition, Espinoza has a Masters of Public Administration degree and a Masters of Business Administration degree from the University of Texas in Austin.

Mario Espinoza, **Director of Community Development**



Department of **Community Development**



Adapting to New Legislative Direction

Tolling in Texas changed course in 2007 following the legislature's passage of SB 792. The bill placed a two year moratorium on private toll concession deals and established the concept of primacy for local toll agencies like the Mobility Authority. Under primacy, the Mobility Authority has the first option to build toll projects within its region. However, toll projects are subject to a market valuation process that must be agreed to by the Texas Department of Transportation and approved by the Capital Area Metropolitan Planning Organization.

An Evolving Toll Plan

The Capital Area Metropolitan Planning Organization (CAMPO) underwent numerous changes in FY 2007 as State Senator Kirk Watson assumed Chairmanship of the organization, and the policy board membership was revised. The changes reduced the number of state lawmakers on the board and increased small city representation. The net change was a reduction in total board membership from 23 to 19. With numerous road projects still in limbo, CAMPO formed several committees to study funding issues and to develop a plan to move the region forward. The effort led to the eventual approval of a scaled back \$1.4 billion toll road program.

Helping Small Businesses

Getting small and minority owned businesses more involved in projects has been a major focus for the Mobility Authority. During FY 2007, staff met with representatives of local chambers and contracting organizations to emphasize opportunities to work with the agency. Bids were solicited for smaller projects, and a plan was developed to make it easier for companies to meet contracting requirements. The Mobility Authority was also pleased to reach its HUB/DBE contracting goals for the 183A project.



Tom Nielson has spent 20 years practicing law in Central Texas, much of it focused on real estate, business and lending. He has represented public and private entities including the Leander Independent School District. His public sector work includes providing legal advice on open meetings, public records requests, bond issues and environmental compliance. Nielson began his career in 1986 with the firm of Clark Thomas & Winters. From 1995 to 2004, Nielson owned his own law firm, Nielson and Associates. Prior to joining the Mobility Authority, Nielson was a partner with the law firm of Naman Howell Smith & Lee. Nielson also has public service experience, serving as a member of the Round Rock City Council from 1999 to 2005. He is a graduate of Brigham Young University with a Bachelors of Arts in Government and received his Law degree from the University of Texas at Austin.



Department of General Counsel



Cynthia Harris



Statewide Coordination

The Mobility Authority accepts the North Texas TollTag, Houston EZ-Tag as well as TxTag for payment on 183A. To ensure the Mobility Authority gets paid for all transactions using these various tags, the Mobility Authority participated in statewide negotiations to develop an interoperability agreement. The agreement defines how transactions are submitted, processed, validated and paid by each participating agency.

Policy Enhancements

As the Mobility Authority grows and evolves, it is revisiting its policies and procedures to ensure they remain current with federal regulations, state statutes and the goals of the Mobility Authority Board. In FY 2007, the agency reviewed its Business Opportunity Policy with TxDOT and the Federal Highway Administration and updated it based on new guidance from those agencies.



Successful Contract Management

With any construction project, unique conditions, contractor issues or owner-directed changes can arise. During the construction of 183A, the Mobility Authority successfully negotiated more than 34 change orders with Hill Country Constructors, totaling more than \$6 million. Only one change could not be negotiated and was presented before a Disputes Review Board, which ruled in favor of the Mobility Authority. The approved changes represented less than 4% of the original contract amount and fell within the contingency budget for the project.

Emphasizing Ethics

Operating in a transparent and ethical manner is important to the Mobility Authority Board and staff. Mobility Authority Board members complied with recently-passed state ethics requirements that mandate public officials complete an ethics training course. Meanwhile, the agency is reviewing its current ethics policies and is planning to conduct ethics training for its entire staff.

Wes Burford spent most of his career with the Texas Department of Transportation (TxDOT) before joining the Mobility Authority in 2007. He began his career with TxDOT in 1977 and left briefly in 1989 to become Director of Travis County's Capital Improvement Program. During his career at TxDOT, Burford served in several executive level positions including Director of Maintenance, Director of Engineering and Surveying Systems and as District Design Engineer. In recent years Burford has worked closely with the Capital Area Metropolitan Planning Organization on development of the Central Texas Toll Road Plan. Burford is a graduate of the University of Texas with a Bachelors of Science in Civil Engineering.

Wes Burford, **Director of Engineering**



Department of Engineering

Open on Schedule

Hill Country Constructors, the consortium that built 183A under a design-build approach, met the aggressive two-year design and construction schedule, opening the road to traffic in March 2007. Hill Country Constructors has remained within budget and is finalizing work on landscaping and other miscellaneous items. The project is expected to close out in early 2008.

Cutting Travel Times

The opening of 183A has brought significant benefits to motorists who live and work in the communities along the 183A corridor. A travel time study conducted after the opening of 183A found that motorists driving the entire project saw their morning commute drop from 34 minutes each day in 2004 to 13 minutes in 2007, a 60% savings. Traffic on US 183 and Parmer Lane, which runs parallel to 183A, dropped as much as 29%, reducing congestion on those busy highways. In fact, a driver using US 183 during morning rush hour has shaved 15 minutes off their commute since 2004.

Expanding Rapidly

With traffic on 183A far ahead of original projections, the Mobility Authority has launched an aggressive program to expand the toll road further north. A study of traffic patterns has found most

drivers using 183A are coming from points north of FM 1431 and are using the 183A frontage road system to reach 183A. Heavy traffic on the frontage roads has led to operational issues at the signalized intersections. With economic development in the area heating up and traffic expected to grow, the Mobility Authority is studying options to extend 183A from FM 1431 north at least five miles to FM 2243. The extension, which was originally projected to occur around 2015, could now be under construction by 2009.

New Approaches to Moving People

Loop 1 is one of the most congested highways in Central Texas. With a rail line in the median and homes lining the right-of-way, expanding the roadway has posed significant challenges. With the support of the Capital Area Metropolitan Planning Organization, the Texas Department of Transportation and the Mobility Authority have been studying the potential to incorporate managed lanes into the corridor. The lanes would extend from downtown Austin to Parmer Lane and would allow buses to travel toll-free. Other drivers wishing to use the lanes would pay tolls that vary depending on the volume of traffic, with the goal of keeping traffic in the managed lanes moving at all times. Construction of the managed lanes could begin as early as 2009.

Project Maintenance

With 183A open to traffic, the agency focus has been shifting from project development to project operation and maintenance. With that in mind, the agency added a Maintenance Manager to the staff in FY 2007. Chuck Murphy came to the Authority after working two years for Hill Country Constructors as a Construction Quality Control Superintendent on 183A.



Chuck Murphy

Steve Pustelnyk joined the Mobility Authority in 2005 after more than a decade of work in the toll industry. Pustelnyk began his career with WFTV in Orlando, Florida and later spent four years working as a General Assignment Reporter for WDBO Radio in Orlando. He served two years as a public information officer for Florida's Turnpike Enterprise before accepting a position with the Orlando-Orange County Expressway Authority as Manager of Communication and Marketing. During his tenure at the Expressway Authority, Pustelnyk managed media relations and oversaw marketing of the agency's E-PASS toll tag before transitioning to a transportation planning role. Pustelnyk is a graduate of the University of Central Florida with a Bachelors in Radio-Television and a Masters of Public Administration degree.



Department of Communications

Melissa Hurst



Reaching Out

The opening of 183A was accompanied by a comprehensive communication and marketing plan intended to encourage drivers to sign up for TxTag and use 183A. The agency used cable television ads, movie theater ads, newspaper inserts, radio remote events, event sponsorships and e-newsletters to generate public awareness and drive

TxTag sales. A major grand opening event, which attracted more than 4,000 participants, helped generate excitement and word of mouth surrounding the roadway's opening. To encourage drivers to try out the road, the marketing program included free travel for the first two months. To promote TxTag sales, customers with a TxTag could travel for free during the third month and for half price during the fourth month. The program resulted in more than 100,000 transactions a day during the introductory period, four times the original projections. By the time the promotion period was over, traffic was still 250% above projections and TxTag usage was an astounding 75%.

Taking a Virtual Drive

Familiarizing drivers with the unique design of 183A prior to its opening was a top priority for the agency's communication staff in FY 2007. Working in partnership with Hill Country Constructors, the agency commissioned a computer-generated video of the road. The 10 minute video gave viewers a driver's seat perspective of what the road would be like to drive. It explained that portions of the road were all-electronic and would require a TxTag sticker. It also highlighted the aesthetic features of the road. More than 2,500 DVD's were distributed at community events, thousands of customers viewed the video on the Mobility Authority's web site and, for several months, the video was the most watched program on Time Warner Cable's On-Demand Video Service.

Vows Generate Publicity

Just weeks before opening to traffic, 183A received some unusual Valentine's Day press as radio station, KASE-FM, married five couples at the Park Street Main Toll Plaza. The couples drove up to the toll booth one by one to say their vows before a justice of the peace. The event was covered by several media outlets, including Fox 7 news.





Ron Fagan spent eight years as Deputy Director of Toll Operations at the Orlando-Orange County Expressway Authority before assuming the role of Director of Toll Operations for the Mobility Authority in 2005. Fagan began his career in the U.S. Army as an Armor Officer and advanced to the Rank of Captain before he resigned his commission in 1996. A veteran of the first Iraq war, Fagan was stationed at Fort Jackson in South Carolina and Fort Hood in Texas during his military career. He also spent time in South Korea and Saudi Arabia. At the Orlando-Orange County Expressway Authority, he managed the toll operations for a 94-mile limited access expressway system with 209 toll lanes. Fagan has a Bachelors in Criminal Justice and a Masters of Public Administration from the University of West Florida.

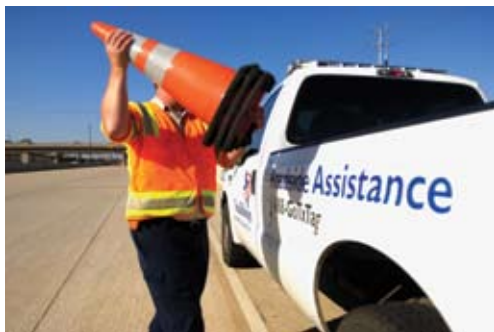
Department of Operations

Electronic Toll System Launched

The toll system on 183A was designed and installed by Caseta Technologies, Inc., a Telvent company. 183A was the first open road tolling system to be developed by Caseta, and the results have been excellent. The system has undergone extensive testing and has met all required performance measures. TxTag transactions and violation images generated by the Caseta system are being transmitted to the TxDOT customer service center for processing. The Caseta system is expected to be installed on future toll roads in Central Texas, including the Loop 1 managed lanes.

Contracting Maximizes Service and Efficiency

Cash tolls on 183A are being collected by a private sector company, URS Corporation. URS, which is under contract with the Texas Department of Transportation, has more than a decade of experience collecting tolls for public agencies. Because 183A requires a relatively small number of toll attendants, the Mobility Authority has chosen to partner with TxDOT rather than employ a separate firm. Using a private sector firm gives the Mobility Authority the flexibility to adjust quickly to changing staffing needs. The arrangement also ensures a high level of financial accountability and superior customer service.



Keeping Customers Safe

Paying a toll to drive on 183A brings a number of added benefits including a dedicated courtesy patrol. The service, which is offered on

toll roads throughout Central Texas, is dedicated to keeping the toll roads safe. The patrol assists stranded motorists with basic needs, collects dangerous road debris and reports unsafe conditions to the Mobility Authority and emergency services. The service is provided by URS Corporation as part of their larger contract with the Texas Department of Transportation for toll collection services.



Protecting Customers

The Mobility Authority went through a procurement process in 2007 to identify a law enforcement agency to patrol the 183A project. The process led to a contract with the City of Cedar Park Police Department. The goal of the Mobility Authority was to enhance motorist safety and customer service by providing a prompt response to accidents and disabled vehicles.

Ensuring Payment

183A is a unique roadway in an industry that is quickly evolving towards all-electronic toll collection. While portions of the road are all-electronic, some sections still offer a cash-payment option. This new and unusual approach can be confusing to tourists and infrequent users and has required the Mobility Authority to adopt a flexible, customer-friendly violation enforcement process. The Mobility Authority is targeting chronic violators by authorizing the Cedar Park Police Department to issue citations to repeat offenders.

Department of Finance



Bill Chapman, **Chief Financial Officer**

Bill Chapman is a former Chief Financial Officer for the City of El Paso who began his career as a small business owner and part-time college professor. Chapman earned his Bachelors in Accountancy from the University of Illinois in Champaign and his Masters of Business Administration from the University of Miami in Oxford Ohio. During much of his career, Chapman managed a small business while teaching accounting and finance at schools such as Millikin University, Richland Community College, New Mexico State University and the University of Texas at El Paso. In 1991, Chapman joined the City of El Paso as an internal auditor. By 1993, he had been promoted to Director of the Office of Budget and Management. In 2000, Chapman was appointed Chief Financial Officer, and in 2002 he was also named Deputy Chief Administrative Officer. Chapman was named Chief Financial Officer of the Mobility Authority in November 2004. In addition to his responsibilities at the Mobility Authority, Chapman serves as President of the \$5 billion TexStar Governmental Investment Pool.

Toll Revenue, Exceeds Expectations

The 183A project opened to much stronger traffic than originally projected. Due to an extended promotional period with free and discounted travel, toll revenue for fiscal year FY 2007 was just \$976,000. With traffic holding steady around 58,000 toll transactions each weekday, toll revenue for FY 2008 could top \$15 million. Current traffic is more than double original projections for opening year.

Road Opening Spurs Budget Changes

The opening of 183A has resulted in higher operating costs for the agency. The operating budget increased from \$654,000 in FY 2007 to \$8.1 million in FY 2008. The additional funds are necessary to cover a number of operational expenses including toll collection, roadway maintenance, electronic toll system support and law enforcement services.

Innovative Financing Key to Future

Like most communities around the country, Central Texas is facing significant challenges finding the money to fund its infrastructure needs. With a limited ability to draw on traditional funding sources, the Mobility Authority has been studying innovative ways to raise the money necessary to meet the region's transportation funding needs. With financial firms creating infrastructure investment funds and the federal government authorizing new financing tools such as private activity bonds, the Mobility Authority is considering a number of innovative ways to build more roads in a financially sensible manner.

Angelique Haseley

Staff Development a Priority

As the Mobility Authority grows, the Agency is updating and refining its employment policies. In FY 2007, the Agency conducted a peer review of employee benefits and policies. A revised employee handbook has been developed and will be implemented in FY 2008. The agency has also implemented a management training program.





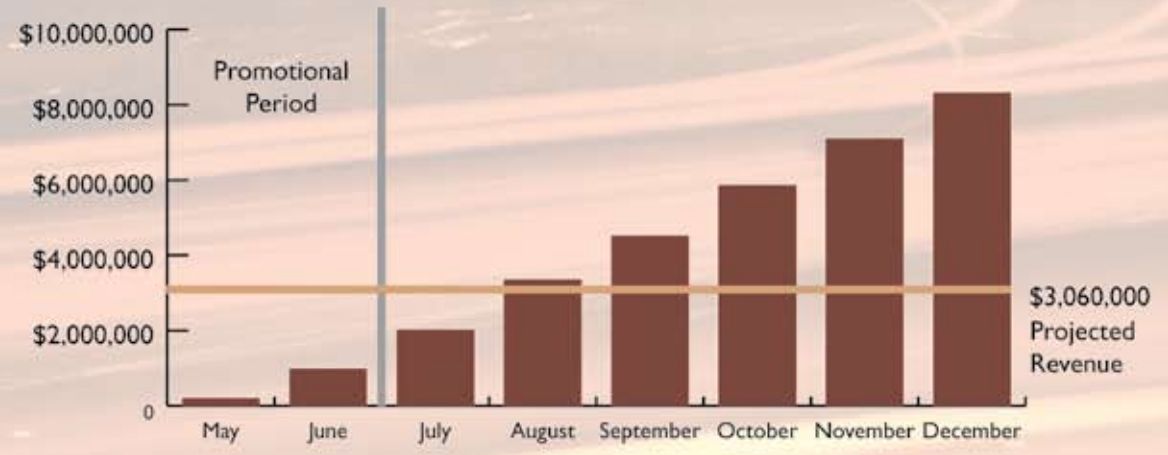
183A Facts and Figures

183A opened in March 2007 with a promotional period that attracted more than 100,000 toll transactions a day. Traffic numbers continued to stay far above projections through the promotional period and settled in to the high 50's, once full tolling began. With traffic numbers more than twice what was projected and revenue more than double original calendar year 2007 projections, the Mobility Authority has begun plans to expand 183A to the north five years ahead of schedule. Plans have also been put in to place to begin work on six other projects.

Calendar Year 2007 Toll Revenue



Calendar Year 2007 Cumulative Toll Revenue vs. Traffic and Revenue Projections



June 30, 2007 and 2006

Financial Statements and Management Discussion and Analysis



**CENTRAL TEXAS
Regional Mobility Authority**

With Independent Auditors' Report Thereon

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2007. Please read it in conjunction with the Authority financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Bonds payable were issued in 2005 and have an outstanding balance of \$240.1 million as of June 30, 2007. The bonds are repayable over the next 40 years.
- Investments decreased by \$73.9 million and property and equipment, including construction in progress, increased by \$97.6 million during the year ended June 30, 2007.
- Total operating expenses were approximately \$4.5 million and \$2.4 million in 2007 and 2006, respectively. The 82% increase in total expenses when compared to 2006 is due to the increase in operations in preparation for the completion of the construction of US-183A Turnpike Project.
- Total construction in progress was approximately \$4.5 million, \$144.8 million, and \$47.8 million as of June 30, 2007, 2006 and 2005, respectively. A significant portion of construction in progress for the 183-A Toll Road was reclassified as property and equipment during 2007. Depreciation on the toll road and related capitalized expenses was approximately \$663 thousand.
- During 2007, Williamson County contributed approximately \$18.4 million of right of way property to the Association in accordance with several agreements signed in 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of two parts: management's discussion and analysis (this section), and the basic financial statements and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Authority are included in the statements of net assets.

The statements of net assets report the Authority's net assets and how they have changed. Net assets – the difference between the Authority's assets and liabilities – is one way to measure the Authority's financial health or position.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The Authority's total net assets were approximately \$78.0 million, \$62.3 million, and \$64.5 million as of June 30, 2007, 2006, and 2005, respectively (See Table A-1). In 2007, total assets were approximately \$78.0 million, \$62.3 million, and \$64.5 million as of June 30, 2007, 2006, and 2005, respectively (See Table A-1). In 2007, total assets

increased 4.5% to \$338.9 million and total liabilities decreased less than 1% to \$260.9 million resulting in an increase of 24.8% in total net assets. This increase in total net assets is primarily the result of contributed capital of \$18.4 million.

Table A-1
Net Assets
(in thousands of dollars)

	2007	2006	2005
Current assets	\$7,803	\$7,284	\$13,618
Restricted assets	79,462	161,009	248,127
Capital assets	242,052	145,030	47,865
Bond issuance cost	9,570	11,002	12,378
Total assets	<u>\$338,887</u>	<u>\$324,325</u>	<u>\$321,988</u>
Total liabilities	<u>\$260,872</u>	<u>\$261,753</u>	<u>\$257,489</u>
Net assets:			
Invested in capital assets	\$230	\$237	\$72
Restricted for other purposes	69,982	55,051	50,809
Unrestricted	7,803	7,284	13,618
Total net assets	<u>\$78,015</u>	<u>\$62,572</u>	<u>\$64,499</u>

Changes in Net Assets

Changes in net assets as of June 30, 2007 and 2006 were approximately (\$3.0) million and (\$1.9) million, respectively, a 55% decrease and 3% decrease from June 30, 2006 and 2005, respectively. The Authority's total revenues were \$1.5 million an increase of 206% from 2006, and total expenses were \$4.4 million, an increase of 82% over 2006. See Table A-2.

Table A-2
Changes in Net Assets
(in thousands of dollars)

	2007	2006	2005
Revenues:			
Toll revenue	\$976	\$ -	\$ -
Grants and contributions	-	-	59,378
Other revenue	524	490	792
Total revenues	<u>1,500</u>	<u>490</u>	<u>60,170</u>
Expenses:			
Administration	3,738	2,039	730
Professional services	749	378	563
Total expenses	<u>4,487</u>	<u>2,417</u>	<u>1,293</u>
Change in net assets	(2,988)	(1,927)	58,877
Total net assets, beginning of the year	62,572	64,499	5,622
Contributed capital	18,431	-	-
Total net assets, end of the year	<u>\$78,015</u>	<u>\$62,572</u>	<u>\$64,499</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, and 2006, and 2005, the Authority had invested approximately \$4.5 million, \$144.8 million and \$47.8 million, respectively, in construction-in-progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal, and traffic analysis fees. See Table A-3. The Authority reclassified \$237.9 million of construction in progress (to capitalized assets in use) during the year ended June 30, 2007. The Authority expended \$97.7 million in construction costs during the year ended June 30, 2007.

Table A-3
Capital Assets

(net of depreciation, in thousands of dollars)

	2007	2006	2005
Property and equipment	\$7,686	\$359	\$90
Toll road	230,573	-	-
Accumulated depreciation	(749)	(86)	(18)
Construction work in progress	4,542	144,757	47,793
Net capital assets	<u>\$242,052</u>	<u>\$145,030</u>	<u>\$47,865</u>

Long-Term Debt

The Authority issued its Series 2005 Senior Lien Revenue Bonds and Series 2005 Subordinate Lien Revenue Bond Anticipation Notes (Series 2005 Subordinate Lien BANs) on March 2, 2005, collectively called the Series 2005 Obligations. The Series 2005 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2005 CIBs) and in part as Convertible Capital Appreciation Bonds (Series 2005 Convertible CABs).

The proceeds from the Series 2005 Obligations were used to: i) finance a portion of the costs of planning, designing, engineering, developing, and constructing the interim phase of the 183-A Turnpike Project, ii) pay a portion of the costs of studying, evaluating, and designing additional turnpike projects within the Authority's jurisdiction, iii) pay capitalized interest with respect to the Series 2005 Obligations, iv) fund a debt service reserve fund for the Series 2005 Senior Lien Revenue Bonds, v) provide working capital to the Authority, and vi) pay the issuance costs of the Series 2005 Obligations. As of June 30, 2007, the Authority had total bonded debt outstanding of approximately \$240 million. See Table A-4.

Table A-4
Long-Term Debt
 (in thousands of dollars)

	2007	2006	2005
<u>Series 2005 Obligations</u>			
Subordinated Lien Revenue Bond			
Anticipation Notes	\$66,746	\$68,189	\$69,568
Convertible Capital Appreciation Bonds	16,333	16,333	16,333
Current Interest Bonds	157,045	157,183	157,314
Net bond debt outstanding	<u>\$240,124</u>	<u>\$241,705</u>	<u>\$243,215</u>

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Central Texas Regional Mobility Authority, 301 Congress Avenue, Suite 650, Austin, TX 78701.

Members of the Central Texas Regional Mobility Authority:

We have audited the statements of net assets of the Central Texas Regional Mobility Authority (the Authority), as of June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages F2 through F5 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PMB HELIN DONOVAN, LLP

October 26, 2007

Assets:	2007	2006
Current assets:		
Cash and cash equivalents (note 2)	\$ 37,602	\$(83,546)
Investments (note 2)	7,413,354	7,246,752
Due from other agencies	283,799	-
Accrued interest receivable	42,813	97,382
Prepaid expenses and other assets	25,702	23,340
Total current assets	7,803,270	7,283,928
Restricted assets:		
Cash and cash equivalents (note 2)	602,918	8,005,327
Investments (note 2)	78,859,165	153,003,900
Total restricted assets	79,462,083	161,009,227
Property and equipment, net (note 3)	7,400,236	273,400
Toll road, net (note 3)	230,110,106	-
Construction work in progress (note 3)	4,541,619	144,756,951
Bond issuance costs, net	9,569,525	11,001,840
Total assets	\$ 338,886,839	\$ 324,325,346
Liabilities:		
Current liabilities:		
Accounts payable	\$ 4,709,234	\$8,019,805
Accrued interest payable	5,759,913	5,743,222
Accrued expenses	198,864	24,849
Current portion of bonds payable (note 4)	66,746,181	-
Total current liabilities	77,414,192	13,787,876
Noncurrent liabilities:		
Bonds payable (note 4)	173,378,182	241,704,749
Accumulated accretion on capital appreciation bonds (note 4)	1,357,845	602,653
Retainage payable	8,721,249	5,657,713
Total liabilities	260,871,468	261,752,991
Net assets:		
Invested in capital assets, net of related debt	230,297	237,400
Restricted for other purposes	69,981,804	55,051,027
Unrestricted	7,803,270	7,283,928
Total net assets	78,015,371	62,572,355
Total liabilities and net assets	\$ 338,886,839	\$ 324,325,346

See accompanying notes to financial statements.

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Revenues		
Tolls	\$ 976,175	\$ -
Other	58,542	32,725
Total operating revenues	<u>1,034,717</u>	<u>32,725</u>
Operating expenses		
Salaries and wages	1,758,976	1,246,567
Other contractual services	705,240	508,715
Professional services	748,717	377,675
General and administrative	1,274,209	284,222
Total operating expenses	<u>4,487,142</u>	<u>2,417,179</u>
Total operating loss	(3,452,425)	(2,384,454)
Non-operating revenues (expenses)		
Interest income, net of interest capitalized, (note 2)	464,806	457,789
Change in net assets	<u>(2,987,619)</u>	<u>(1,926,665)</u>
Total net assets at beginning of the year	62,572,355	64,499,020
Contributed capital	<u>18,430,635</u>	-
Total net assets at end of the year	<u>\$78,015,371</u>	<u>\$62,572,355</u>

See accompanying notes to financial statements.

	2007	2006
Cash flows from operating activities:		
Receipts from Department of Transportation	\$ -	\$ 1,020,332
Receipts from toll fees	692,376	-
Receipts from other fees	58,542	32,165
Receipts from interest income	552,806	457,789
Receipts from other sources	182,226	188,072
Payments to vendors	(1,190,708)	(765,346)
Payments to professionals	(748,717)	(378,477)
Payments to employees	(1,563,263)	(1,158,003)
Net cash flows used in operating activities	(2,016,738)	(603,468)
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	-	154,249
Acquisitions of property and equipment	(39,677)	(269,846)
Acquisitions of construction in progress	(79,202,979)	(92,022,837)
Net cash flows used in capital and related financing activities	(79,242,656)	(92,138,434)
Cash flows from investing activities:		
Purchase of investments	(68,284,849)	(30,028,970)
Proceeds from sale or maturity of investments	142,262,982	126,020,341
Net cash flows provided by investing activities	73,978,133	95,991,371
Net increase in cash and cash equivalents	(7,281,261)	3,249,469
Cash and cash equivalents at beginning of year	7,921,781	4,672,312
Cash and cash equivalents at end of year	(7,281,261)	3,249,469
(including \$602,918 for 2007 and \$8,005,327 for 2006 reported in restricted assets)	\$ 640,520	\$ 7,921,781
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (2,987,619)	\$(1,926,665)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	663,233	67,812
Changes in assets and liabilities:		
Decrease in accounts receivable	-	1,024,360
Increase in prepaid expenses and other assets	(2,362)	(15,489)
Increase in non-cash revenue (due from other agencies)	(283,799)	-
Increase in accounts payable	419,794	223,769
Increase in accrued expenses	174,015	22,745
Total adjustments	970,881	1,323,197
Net cash flows provided by operating activities	\$ (2,016,738)	\$ (603,468)
Supplemental disclosure of non-cash transactions:		
Reclassification of construction to property and equipment	\$237,860,498	
Contributed right of way	\$ 18,430,635	

See accompanying notes and independent auditors' report.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Central Texas Regional Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the Authority's accounting policies are described below:

A. Reporting Entity - The Central Texas Regional Mobility Authority (the "Authority") was created by the State of Texas in 2002. The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature of the State of Texas and approved by the State Department of Transportation. The Authority receives its revenues from tolls, fees, and rents from the operation of turnpike projects. The Authority may issue revenue bonds for the purpose of paying the costs of turnpike projects.

The Authority was formed through the joint efforts of Travis and Williamson Counties (the "Counties"). Their efforts began in September 2002, following the enactment of provisions by the 77th Texas Legislature authorizing the formation of regional mobility authorities (RMAs). The petition to form the Authority was filed by the Counties, and the Texas Transportation Commission granted approval for its formation in October 2002. The Counties appointed its initial board of directors in January 2003. Each County appointed three directors, and the Governor appointed the presiding officer. The members are appointed in belief that the composition of the board and the common interest in the region shared by all board members will result in adequate representation of all political subdivisions within the geographic area of the RMA and to serve without pay for terms of two years. The Authority has full control over all operations, but must comply with certain bond indentures and trust agreements. The Authority employs an Executive Director who manages the day-to-day operations.

In evaluating how to define the Authority, for financial reporting purposes, management has determined that there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

B. Basis of Accounting - The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets. Operating

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expenses for the Authority include the costs of operating the turnpikes, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- C. Cash, Cash Equivalents and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These deposits are fully collateralized or covered by federal deposit insurance.

Investments are reported at fair value. The net change in fair value of investments is recorded on the Statements of Revenues, Expenses and Changes in Net Assets and includes the unrealized and realized gains and losses on investments.

- D. Compensated Absences** - Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. There are no accumulating sick leave benefits that vest for which any liability must be recognized.

- E. Capital Assets** - Capital assets, which include property, equipment, and infrastructure assets, are reported at cost. Capital assets are defined as assets with initial, individual costs exceeding \$500 to \$20,000 depending on asset category. Depreciation is computed on the straight-line method over the following estimated useful lives:

- Roads and bridges, 40 years
- Improvements, 5-20 years
- Buildings, 20-30 years
- Equipment, 3-7 years
- Capitalized interest, life of project

A full month's depreciation is taken in the month an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations.

Prior to the reclassification of the construction-in-progress related to the 183-A toll road to property and equipment, the majority of capitalized costs for the year ended June 30, 2007 and 2006 relate to construction-in-progress. During fiscal years 2007 and 2006, computer and other types of equipment were obtained and depreciated using the straight-line method over periods ranging from 3 to 7 years.

In accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, the Authority capitalizes interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the Authority recognizes revenues, expenses, and changes in net assets relating to earnings from restricted grants.

- F. Grants and Contracts** - Revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority considers all grant and contributions to be 100% collectible.
- G. Investments** - The Authority invests funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Investments are carried at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value is determined typically by quoted market prices.
- H. Restricted Assets** - Certain proceeds of the Authority's bonds and grants, as well as certain other resources, are classified as restricted assets in the statement of net asset because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements.
- I. Income Taxes** - The Authority is an instrumentality of the State of Texas. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.
- J. Bond Premiums, Discounts, and Issuance Costs** - The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance cost is amortized over a 7 year period. In the year ended June 30, 2007, the Authority amortized \$1,432,315 of issuance costs.
- K. Classification of Operating and Non-operating Revenue and Expenses** - The Authority defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9 which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.
- L. Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of the Authority's services. In March, 2003, the Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*. Statement No. 40 updates the disclosure and reporting of custodial credit risk under GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and also addresses other common risks, including credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The provisions of Statement No. 40 require the additional disclosures presented in these notes but have no impact on the Authority's net assets.

The Authority's Board has adopted an Investment Policy to set forth the factors involved in the management of investment assets for the Authority. The Authority seeks to mitigate risk by investing in compliance with the investment policy, qualifying the broker or financial institution with whom the Authority will transact, maintain sufficient collateralization, portfolio diversification, and limiting maturity.

The following summary of total investments by type as of June 30, 2007 and 2006 confirms that the Authority has maintained fairly consistent investment mixes. Consequently, management believes it is acceptable that the detailed securities risk analyses that follow the summary focuses only on the year end holdings for fiscal year 2007.

Summary of Investments by Type	2007	2006
JP Morgan Chase & Co. Guaranteed Investment Contracts	\$ 10,310,832	112,820,230
TexSTAR Investment Pool	71,494,603	29,177,759
U.S. Government Agency securities:		
Federal Home Loan Bank	4,467,084	8,442,838
Federal Home Loan Mortgage Corporation	-	7,776,986
Federal Farm Credit Bank	-	2,032,839
Total investments	\$ 86,272,519	160,250,652
Unrestricted investments	\$ 7,413,354	7,246,752
Restricted investments	78,859,165	153,003,900
Total investments	\$ 86,272,519	160,250,652
Interest income	\$ 14,881,241	10,476,108
Less: interest income capitalized	14,416,435	10,018,319
Total investment income	\$ 464,806	457,789

2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. While the Board has no formal policy specific to custodial credit risk, operating bank accounts are fully collateralized with pledged securities.

At June 30, 2007, the carrying amount of the Authority's cash and cash equivalents was \$640,520. The bank balance was \$64,840 as of June 30, 2007. The remaining amount is maintained in money market accounts.

There is no limit on the amount the Authority may deposit in any one institution. However, the Federal Deposit Insurance Corporation only insures up to \$100,000 per institution. The Authority is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended June 30, 2007.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Authority, and are held by the counterparty, its trust or agent, but not in the Authority's name. The Authority's investment securities are not exposed to custodial credit risk because all securities are held by the Authority's custodial bank in the Authority's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority is authorized to invest funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Authorized investments include, but are not limited to: U.S. Treasury and Federal Agency issues, certificates of deposit issued by a state or national bank domiciled in the State of Texas, repurchase agreements collateralized by U.S. Treasury or Federal Agency securities, guaranteed investment contracts (GICs), obligations of states and municipalities, SEC registered no-load money market mutual funds, and local government investment funds. The Authority's investments are insured or registered and are held by the Authority or its agent in the Authority's name.

With regards to investment composition, the Authority's investment policy currently states that local government investment pools may not exceed 50% of the total investment portfolio less bond funds. Bond funds may be invested at 100%. No other parameters for investment composition are stated in the approved investment policy.

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2007 and 2006, the following was the composition of the Authority's portfolio:

	2007	2006
JP Morgan Chase & Co. Guaranteed Investment Contracts	11.9%	70.4%
TexSTAR Investment Pool	82.9%	18.2%
United States Government Agency securities	5.2%	11.4%

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio.

The Authority's investment policy notes that with regard to maximum maturities, the Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest operating or general funds in securities maturing more than twelve months from the date of purchase, unless approved by the Authority's Board. Investment of bond proceeds shall not exceed the projected expenditure schedule of the related project. Reserve funds may be invested in securities exceeding 12 months if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

As of June 30, 2007, the Authority had the following investment maturities:

Investment Type	Cost	Less than 1 Year	1 to 6 Years
JP Morgan Chase & Co. GICs	\$ 10,310,832	\$ 10,310,832	\$ -
TexSTAR Investment Pool	71,494,603	71,494,603	-
U.S. Government Agency securities:			
Federal Home Loan Bank	4,467,084	4,467,084	-
Total investments	\$ 86,272,519	\$ 86,272,519	\$ -

The weighted average maturity of the TexSTAR Investment Pool at June 30, 2007 was 18 days.

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2006, the Authority had the following investment maturities:

Investment Type	Cost	Less than 1 Year	1 to 6 Years
JP Morgan Chase & Co. GICs	\$ 112,820,230	-	\$ 112,820,230
TexSTAR Investment Pool	29,177,759	29,177,759	-
U.S. Agency securities:			
Federal Home Loan Bank	8,442,838	-	8,442,838
Federal Home Loan Mortgage Corp.	7,776,986	-	7,776,986
Federal Farm Credit Bank	2,032,839	-	2,032,839
Total investments	\$ 160,250,652	29,177,759	\$ 131,072,893

Credit Risk

Credit risk is the risk than an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. To help mitigate credit risk, credit quality guidelines are incorporated into the investment policy, as follows:

- Limiting investments to the safest types of securities, as listed above under the 'Concentration of Credit Risk' section; and
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Authority will do business

The TexSTAR Investment Pool is rated AAA by Standard and Poor's is fully collateralized and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The amounts can be withdrawn with limited notice. The JP Morgan Chase and Co. guaranteed investment contracts are fully collateralized with highly rated investment securities. The United States government agency securities are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Authority had no foreign currency transactions during fiscal year 2007 or 2006.

3. CAPITAL ASSETS

The following schedule summarizes the capital assets of the Authority as of June 30, 2007 and 2006:

	2006	Additions	Reclass	2007
Property and equipment	\$ 358,917	39,677	7,287,505	\$ 7,686,099
Toll Road				
Building and Toll Facilities	-	-	6,897,618	6,897,618
Highways and Bridges	-	-	190,310,210	190,310,210
Toll Equipment	-	-	4,519,992	4,519,992
Signs	-	-	5,258,662	5,258,662
Land Improvements	-	-	819,435	819,435
Right of Way	-	-	22,767,076	22,767,076
Accumulated depreciation	(85,517)	(663,233)	-	(748,750)
Net property and equipment	\$ 273,400	(623,556)	237,860,498	\$ 237,510,342

	2005	Additions	Reclass	2006
Property and equipment	\$ 90,277	268,640	-	\$ 358,917
Accumulated depreciation	(18,711)	(66,806)	-	(85,517)
Net property and equipment	\$ 71,566	201,834	-	\$ 273,400

	2006	Additions	Reclass	2007
Construction in progress				
Preliminary costs	\$ 7,118,075	22,667,583	(25,405,812)	\$ 4,379,846
Engineering	18,460,886	4,663,116	(22,989,449)	134,553
Construction	110,894,089	57,948,517	(168,842,606)	-
Collection system	2,583,715	5,625,235	(8,181,730)	27,220
Capitalized interest	5,700,186	6,740,715	(12,440,901)	-
Net construction in progress	\$ 144,756,951	97,645,166	(237,860,498)	\$ 4,541,619

	2005	Additions	Reclass	2006
Construction in progress				
Preliminary costs	\$ 3,286,745	3,831,330	-	\$ 7,118,075
Engineering	12,114,648	6,346,238	-	18,460,886
Construction	30,989,254	79,904,835	-	110,894,089
Collection system	-	2,583,715	-	2,583,715
Capitalized interest	1,402,163	4,298,023	-	5,700,186
Net construction in progress	\$ 47,792,810	96,964,141	-	\$ 144,756,951

3. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the years ended June 30, 2007 and 2006 was \$663,233 and \$66,806, respectively. No retirements of capital assets occurred during the years ended June 30, 2007 and 2006.

The Authority's construction of the US-183A Turnpike Project was substantially completed in March 2007. The total budget for the construction of the US-183A Turnpike Project is \$224.7 million, of which \$204.1 million has been incurred.

The Authority has entered into other preliminary and engineering costs for the development of other construction projects totaling \$4.5 million. Prior to the capitalization of the construction costs to the toll road and other property and equipment, preliminary and engineering costs for the development of all construction projects totaled \$242.4 million.

Prior to the capitalization of the construction costs to the toll road and other property and equipment, capitalized interest consists of the following as of June 30, 2007 and 2006:

	(Prior to capitalization)	
	2007	2006
Interest accrued on bonds	\$ 27,524,717	\$ 16,013,333
Less: bond premium amortization	(3,701,455)	(2,121,069)
Plus: bond issuance cost amortization	3,360,844	1,928,529
Interest expense capitalized	27,184,106	15,820,793
Less: cumulative interest earned on bond proceeds invested	(14,416,435)	(10,018,319)
Less: investment bond discount	(326,770)	(102,288)
	\$ 12,440,901	\$ 5,700,186

4. BONDS PAYABLE

The Authority issued its Series 2005 Senior Lien Revenue Bonds and Series 2005 Subordinate Lien Revenue Bond Anticipation Notes (Series 2005 Subordinate Lien BANs) on March 2, 2005, collectively called the Series 2005 Obligations. The Series 2005 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2005 CIBs) and in part as Convertible Capital Appreciation Bonds (Series 2005 Convertible CABs).

The proceeds from the Series 2005 Obligations were used to: i) finance a portion of the costs of planning, designing, engineering, developing, and constructing the interim phase of the 183-A Turnpike Project, ii) pay a portion of the costs of studying, evaluating, and designing additional turnpike projects within the Authority's jurisdiction, iii) pay capitalized interest with respect to the Series 2005 Obligations, iv) fund a debt service reserve fund for the Series 2005 Senior Lien Revenue Bonds, v) provide working capital to the Authority, and vi) pay the issuance costs of the Series 2005 Obligations.

4. BONDS PAYABLE (CONTINUED)

The Series 2005 Subordinate Lien BANs are scheduled to mature on the date and in the principal amount shown below. Interest on the Series 2005 Subordinate Lien BANs is calculated on the basis of a 360-day year of twelve 30-day months at the interest rates shown below. Interest on the 2005 Subordinate Lien BANs is payable on each July 1 and January 1, commencing July 1, 2005.

The Series 2005 CIBs are scheduled to mature on the dates and in the principal amounts shown below. Interest on the Series 2005 CIBs is calculated on the basis of a 360-day year of twelve 30-day months at the interest rates shown below. Interest on the 2005 CIBs is payable on each July 1 and January 1, commencing July 1, 2005.

The Series 2005 Convertible CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of \$24,010,000.

The principal amounts shown below for the Series 2005 Convertible CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2007.

Interest on the Series 2005 Convertible CABs will accrete from the date of initial delivery until January 1, 2014 at the interest rates noted below and will compound on each July 1 and January 1, commencing July 1, 2005, and on January 1, 2014. From and after January 1, 2014, interest on the maturity amount of the Series 2005 Convertible CABs will accrue at the interest rates noted below and will be payable each July 1 and January 1.

The U.S. Department of Transportation has agreed to lend the Authority up to \$66,000,000 to pay or reimburse a portion of the costs of the 2005 Project, including any refinancing of the Series 2005 Subordinate Lien BANs, under a secured loan agreement between the Authority and the U.S. Department of Transportation. On March 2, 2005, the Authority issued its 2005 TIFIA Bond to evidence its obligation to repay any borrowing under such secured loan agreement. As of June 30, 2007, the Authority has not borrowed any money from the U.S. Department of Transportation under the secured loan agreement.

Under the bond indenture relating to the Series 2005 Obligations, the debt service reserve fund for the Series 2005 Senior Lien Revenue Bonds requires an amount equal to the least of i) the maximum annual debt service of all outstanding Senior Lien Obligations, ii) 1.25 times the average annual debt services of all outstanding Senior Lien Obligations, or iii) ten percent of the aggregate amount of the outstanding Senior Lien Obligations, as determined on the date each series of senior lien obligations is issued. However, no debt service reserve requirement has been established with respect to the Series 2005 Subordinate Lien BANs.

4. BONDS PAYABLE (CONTINUED)

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total
Series 2005 Subordinated Lien Revenue					
Bond Anticipation Notes	2008	5.00%	\$66,000,000	\$746,181	\$66,746,181
Series 2005 Senior Lien Revenue Bonds					
Convertible Capital Appreciation Bonds	2015	4.20%	1,593,394	-	1,593,394
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	-	3,124,749
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	-	2,738,819
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	-	2,423,743
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	-	2,177,004
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	-	1,969,370
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	-	2,305,532
Total Convertible Capital Appreciation Bonds			16,332,611	-	16,332,611
Current Interest Serial Bonds	2012	5.00%	1,495,000	103,953	1,598,953
Current Interest Serial Bonds	2013	5.00%	2,720,000	204,971	2,924,971
Current Interest Serial Bonds	2014	3.50%	3,100,000	(14,353)	3,085,647
Current Interest Serial Bonds	2022	5.00%	3,260,000	216,970	3,476,970
Current Interest Serial Bonds	2023	5.00%	3,115,000	199,725	3,314,725
Current Interest Serial Bonds	2024	5.00%	2,995,000	182,164	3,177,164
Current Interest Term Bonds	2025	4.50%	2,950,000	(19,874)	2,930,126
Current Interest Term Bonds	2026	4.50%	4,235,000	(28,702)	4,206,298
Current Interest Term Bonds	2027	4.50%	4,280,000	(29,164)	4,250,836
Current Interest Term Bonds	2028	4.50%	3,815,000	(26,122)	3,788,878
Current Interest Term Bonds	2029	4.50%	3,870,000	(26,615)	3,843,385
Current Interest Term Bonds	2030	5.00%	3,930,000	176,588	4,106,588
Current Interest Term Bonds	2031	5.00%	5,200,000	234,511	5,434,511
Current Interest Term Bonds	2032	5.00%	5,250,000	237,559	5,487,559
Current Interest Term Bonds	2033	5.00%	5,315,000	241,239	5,556,239
Current Interest Term Bonds	2034	5.00%	5,395,000	245,560	5,640,560
Current Interest Term Bonds	2035	5.00%	5,490,000	250,531	5,740,531
Current Interest Term Bonds	2036	5.00%	7,170,000	272,022	7,442,022
Current Interest Term Bonds	2037	5.00%	7,320,000	278,322	7,598,322
Current Interest Term Bonds	2038	5.00%	7,485,000	285,173	7,770,173
Current Interest Term Bonds	2039	5.00%	7,670,000	292,772	7,962,772
Current Interest Term Bonds	2040	5.00%	7,875,000	301,122	8,176,122
Current Interest Term Bonds	2041	5.00%	9,000,000	344,698	9,344,698
Current Interest Term Bonds	2042	5.00%	9,245,000	354,617	9,599,617
Current Interest Term Bonds	2043	5.00%	9,520,000	365,680	9,885,680
Current Interest Term Bonds	2044	5.00%	9,810,000	377,315	10,187,315
Current Interest Term Bonds	2045	5.00%	10,125,000	389,909	10,514,909
Total Current Interest Bonds			151,635,000	5,410,571	157,045,571
Total Series 2005 Senior Lien Revenue Bonds			167,967,611	5,410,571	173,378,182
Total Series 2005 Obligations			\$233,967,611	\$6,156,752	\$240,124,363

4. Bonds Payable (continued)

The amount of accumulated accreted interest on the Series 2005 Convertible CABs as of June 30, 2007 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2005.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total
Convertible Capital Appreciation Bonds	2015	4.20%	\$1,593,394	\$125,966	\$1,649,362
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	250,056	3,235,825
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	224,480	2,838,479
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	203,353	2,513,983
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	184,773	2,258,976
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	169,055	2,044,348
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	200,161	2,394,291
Total Convertible Capital Appreciation Bonds			<u>\$16,332,611</u>	<u>\$1,357,844</u>	<u>\$17,690,455</u>

Future payments of principal and interest on the Series 2005 Obligations (based on the scheduled payments) as of June 30, 2007 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Amount
2008	66,000,000	10,739,500	76,739,500
2009	-	7,439,500	7,439,500
2010	-	7,439,500	7,439,500
2011	-	7,439,500	7,439,500
2012	-	8,934,500	-
2013 and thereafter	167,967,611	183,436,747	351,404,358
	<u>\$233,967,611</u>	<u>225,429,247</u>	<u>\$459,396,858</u>

5. Rebtable Arbitrage

Current federal income tax law and the bond indentures require that certain arbitrage profits earned on nonpurpose investments attributable to outstanding tax-exempt bonds must be rebated to the U.S. Treasury. The Authority had accrued no rebatable arbitrage as of June 30, 2007.

6. Risk Management

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority carries insurance with private insurers under an "all risks" policy. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk so as to reduce the overall exposure of risk to the Authority. There were no settlements in excess of insurance coverage in 2007 and 2006.

6. Risk Management (continued)

The Authority's primary construction project, the US-183 A Turnpike Project, is insured by the contractor and the Authority until the project's final acceptance.

7. Employee Retirement Plan

Plan Description - The Authority participates in the Texas County and District Retirement System (the System). The System is a non-profit public trust providing pension, disability and death benefits for the eligible employees of participating counties and districts. The System was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCDRS Act (Subtitle F, Title 8, Texas Government Code) is the basis for the System administration. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be downloaded at <http://www.tcdrs.com>.

Funding Policy - Plan members and the Authority are required to contribute at a rate set by statute. The contribution requirements of Plan members and the Authority are established and may be amended. During 2007 and 2006, the contribution rate for the Plan members was 7.0% of gross pay. The Authority pays a matching portion to the defined contribution pension plan totaling 12.62% and 13.95% of gross pay for 2007 and 2006, respectively, which totaled \$140,465 and \$113,416 for 2007 and 2006, respectively.

8. Disaggregation of Receivable and Payable Balances

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2007 and 2006. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2007 and 2006.

9. Related Party

The Chief Financial Officer of the Authority is the President of The Texas Short Term Asset Reserve Fund ("TexSTAR"). TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Authority has investments of \$71,494,603 and \$29,177,759 in TexSTAR as of June 30, 2007 and 2006, respectively.

The Authority is subletting its office space to the major vendor in charge of electronic toll collection services. See footnote 10 for details of the sublease agreement.

10. Commitments and Contingent Liabilities

The Authority’s construction of the US-183A Turnpike Project was substantially completed in March 2007. The total budget for the construction of the US-183A Turnpike Project is \$224.7 million, of which \$204.1 million has been incurred.

On July 15, 2005, the Authority entered into a 7-year lease agreement for office space at 301 Congress Avenue, Austin, Texas. The aggregate future minimum lease payments are as follows:

2008	89,727
2009	89,727
2010	92,521
2011	106,491
Thereafter	88,743
	\$ 467,209

Coinciding with the office space lease noted above, the Authority entered into a 7-year sublease agreement with a related party for a portion of the 301 Congress Avenue space. The total of the minimum rentals to be received from this sublease is \$124,971.

The Authority’s total rental expense for fiscal year 2007 and 2006 was \$182,683 and \$53,301, respectively.

11. Due from Other Agencies

Due from other agencies is comprised of amounts due from other Texas authorities related to toll tag transactions on the Authority’s toll road. The Authority does not issue toll tags, however, it has contracted with the Texas Department of Transportation (TxDot) to handle customer service and operations related to the toll tag transactions. The receivable from the TxDot authority comprises approximately 92% of the total balance due from other agencies, \$260,490. The remaining balance is from toll tags owned by other Texas authorities, \$23,309.

12. Contributions from Williamson Country

During 2005, Williamson Country signed several agreements with the Authority to transfer Right-of-Way Property. During the year ended June 30, 2007, Williamson County contributed approximately \$18.4 million of property to the authority.



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