CENTRAL TEXAS
Regional Mobility Authority

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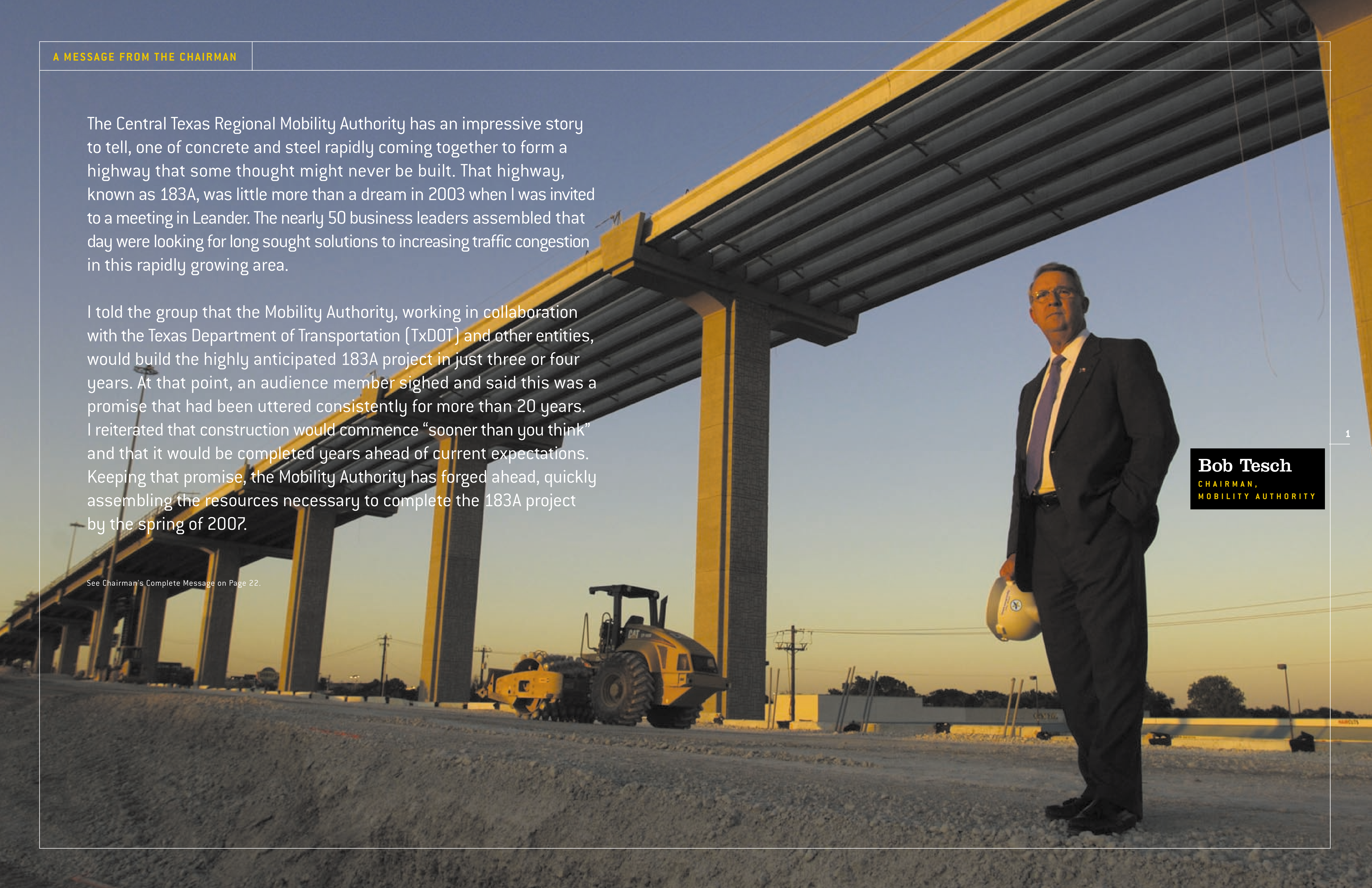
2005 ANNUAL REPORT

STORIES FROM THE ROAD

CENTRAL TEXAS
Regional Mobility Authority



The Central Texas Regional Mobility Authority has an impressive story to tell, one of concrete and steel rapidly coming together to form a highway that some thought might never be built. That highway, known as 183A, was little more than a dream in 2003 when I was invited to a meeting in Leander. The nearly 50 business leaders assembled that day were looking for long sought solutions to increasing traffic congestion in this rapidly growing area.

I told the group that the Mobility Authority, working in collaboration with the Texas Department of Transportation (TxDOT) and other entities, would build the highly anticipated 183A project in just three or four years. At that point, an audience member sighed and said this was a promise that had been uttered consistently for more than 20 years. I reiterated that construction would commence “sooner than you think” and that it would be completed years ahead of current expectations. Keeping that promise, the Mobility Authority has forged ahead, quickly assembling the resources necessary to complete the 183A project by the spring of 2007.

See Chairman’s Complete Message on Page 22.

Bob Tesch
CHAIRMAN,
MOBILITY AUTHORITY

A young father leaves his office early and heads to the ball park, thinking he has allowed ample time to arrive on time for his son's game.

A few miles down the road, congestion closes in. He escapes the freeway and maneuvers around busy intersections and through neighborhoods trying to reach his destination. But in the end, this is another frustrating and futile effort, and he again misses his youngster's turn at bat.

For too many in Central Texas, this has been the norm. As a consequence, residents continue to lose precious time with families, miss out on opportunities to improve the area's economic vitality, and gradually erode the pleasure of living in Central Texas.

The explosive growth in Central Texas over the past quarter century has brought us to this: a burgeoning metropolis full of promise and opportunity, but simultaneously stymied by traffic congestion that continues to worsen as transportation funding fails to keep up with the demand for mobility. The Texas Department of Transportation can provide only about one-third of the funding needed for new construction in Central Texas. The state gasoline tax of 20 cents per gallon — the primary funding source for construction and maintenance of Texas roads — has not been increased since 1991, and a public, as well as legislative, resistance to tax increases has made it difficult for lawmakers to find new funding sources. As a result, Austin has become the most congested medium-sized city in the country.

A lack of cooperation among transportation agencies and political entities, coupled with the lack of sufficient funds for construction, for too long left ambitious plans for new transportation projects in Central Texas stagnating. Over the past 30 years, the area's population has grown from 600,000 to about 1.5 million, and is expected to double over the next quarter of a century. With existing tax revenue, the region simply could not build enough roads to accommodate the explosive growth. The federal and state dollars available to fund local road needs were insufficient to build or maintain even modest projects in a timely manner. That's why it was imperative that new funding options be employed to raise the bulk of the approximately $2.2 billion shortfall.

> "At 20-cents per gallon, the Texas gas tax is among the lowest in the country."

The Texas Legislature, facing dire predictions about transportation funding and sensing the need for a new dynamic to spur congestion-relieving projects, passed a bill in 2001 authorizing the creation of regional mobility authorities to address transportation challenges in urban areas across the state. Travis and Williamson counties acted first by creating the Central Texas Regional Mobility Authority, and quickly began planning discussions with TxDOT, other transportation agencies, community leaders, stakeholders, and the public to develop an enhanced transportation network for Central Texas. Through a collaborative effort with these constituencies, the Mobility Authority quickly developed the Central Texas Regional Mobility Plan, a regional system of toll roads with a total development cost of $1.6 billion.

Instead of taking a band-aid approach or leaving the problem to future generations, Central Texas leaders studied best practices from around the world and developed an innovative transportation program that will keep the state and the region competitive in a global economy.

With the introduction of tolling comes the opportunity to better manage growth and to make growth pay for itself without placing a financial burden on the community at large. Toll roads will give drivers the option of a swifter and safer way home. Toll roads will also offer faster more reliable routes for commerce, improving business efficiencies and attracting new business enterprises to Central Texas. Reduced congestion will mean less air pollution and the construction of modern storm water systems will result in improved water quality and a reduced risk of flooding.

Even as the plan was being approved, the Mobility Authority was already hard at work 183A, a toll road that had been approved years earlier. The realization of 183A — the 11.6 mile road that will run from RM620/SH45 to the San Gabriel River — culminated a 20-year effort by community leaders who sought to construct a new expressway to serve the area. As funding languished and plan after plan was discussed and discarded, the small cities of Cedar Park and Leander experienced some of the fastest growth in the State of Texas.

1980 turned into the 21st century, and the only milestone of consequence for the corridor was the selection of a preferred alignment and the acquisition of critical right of way. As late as 2003 it still appeared the roadway might be a decade away from completion. However, in 2004 the Mobility Authority was able to pull together the unique partnership and creative financing necessary to bring the community vision for 183A to reality.

The Mobility Authority Board has focused on setting high standards, following best practices and hiring experienced professionals to successfully implement the vision for enhanced mobility in Central Texas.

MOBILITY AUTHORITY BOARD MEETING AT CITY OF ROUND ROCK

BREAKING GROUND

Construction of 183A began in March 2005 with a simple turn of a shovel. It was a monumental event witnessed by 150 community and business leaders that marked the beginning of an extraordinary shift in how traffic congestion can be dealt with in Central Texas.

183A will be brought to completion quickly because of an innovative contracting method known as a Comprehensive Development Agreement (CDA). This method uses a fixed cost, design-build approach that allows the contractor to begin construction while the roadway design is still in progress. Hill Country Constructors, a joint partnership of Granite Construction Company and J.D. Abrams, L.P., was hired by the Mobility Authority after an exhaustive evaluation process to build 183A. In June 2005, at the end of the fiscal year, after just three months of work, design was 35% complete and construction was 14% complete.

KID'S DAY ON 183A

Dozens of families enjoyed the 183A Kids Day on July 15th. The event, held in the Park Street area of Cedar Park, was an opportunity for children to learn about construction site safety and get a hands-on experience with construction equipment.

CTRMA BOARD OF DIRECTORS

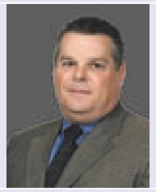
BOB TESCH
CHAIRMAN

LOWELL LEBERMANN, JR.
VICE CHAIRMAN

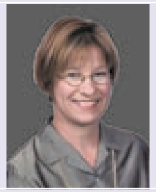
ROBERT L. BENNETT, JR.

HENRY H. GILMORE

JAMES H. MILLS

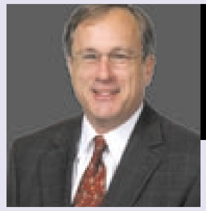


DAVID SINGLETON



JOHANNA ZMUD, Ph.D.

"183A, a community driven project from its inception, will provide a mobility choice and stimulate economic growth for this region."



Mike Heiligenstein
EXECUTIVE DIRECTOR, MOBILITY AUTHORITY

John D. Cowman
MAYOR OF LEANDER

"The Mobility Authority has energized our community and energized the region."

Leander Mayor John D. Cowman has witnessed years of futility in identifying the necessary funding to improve Central Texas' transportation system. He credits the Mobility Authority for unleashing Leander's promise by building 183A, which will place his city in a "very enviable position for the future."

"By building 183A, the Mobility Authority is providing the stimulus for the creation of the region's first transit-oriented development," says Cowman, adding that the new toll road will be the first piece in Leander's grand design to develop 2,000 acres into new neighborhoods, a rail station, and a central business district.

The Leander mayor also says the Mobility Authority has instigated a "harmonious partnership" in which local and regional governments are working together to manage growth and traffic in Central Texas.

Bob Wunsch has developed major parcels of land near the 183A corridor — including the Avery Ranch subdivision — and knows that successful development requires tremendous vision and a lot of hard work.

It also takes complex interaction between local governments, private companies, utilities and developers to ensure the required infrastructure is in place to properly manage and sustain growth.

"Growth has accelerated in this area and toll roads give people a choice of travel options."

Bob Wunsch
WATERSTONE DEVELOPMENT GROUP

183A FIELD OPERATIONS BUILDING

MOVING DIRT ALONG 183A

“They have tried to make what is happening as painless as possible.”

Jackie Martignago, a resident in the Forest Oaks neighborhood, says the commotion and dust from the construction has bothered the neighborhood but she knows there is a price for progress and new roads are badly needed in the area. She especially appreciates the responsiveness and openness exhibited by the Mobility Authority.

Jackie Martignago FOREST OAKS RESIDENT

CONSTRUCTION CREWS ARE WORKING HARD TO ENSURE THE TIMELY COMPLETION OF 183A

Nancy Kirkland envied the construction jobs of her husband and brother, but could never get hired herself. Then she joined Hill Country Constructors — the consortium building 183A — to help maintain the water systems for trenching equipment.

Two weeks later, Ms. Kirkland climbed aboard a 777 dump truck, learned to operate the 85-ton vehicle, and quickly earned herself a $2.20 an hour raise. Ms. Kirkland is on a five-member team — including three other women — that haul massive loads of dirt and rock. They work 55-60 hours during a six-day week.

“I had never seen a highway construction operation, so I learn something every day. I like the changes we are making to the road,” says Ms. Kirkland, who previously worked seasonally for a landscape company.

Ms. Kirkland has already experienced a number of memorable moments in her new career, such as the day her 3-year-old grandson visited the construction site. The boy had to peer almost to the sky to see his grandmother in the truck’s cab 18 feet above ground. “He just couldn’t believe it,” she says.

“I always wanted to do something like this.”

Nancy Kirkland TRUCK DRIVER, HILL COUNTRY CONSTRUCTORS

COMMUNITY MEETING ALONG 183A

The Mobility Authority also has set a new standard for community outreach by a public agency. Efforts have focused on building strong relationships with the community and creating unique opportunities for public input. The Mobility Authority has used a variety of methods for public input such as a project Web site and a project hotline, as well as hosting community events at construction locations for residents to learn more about the progress of projects.

The Mobility Authority's staff and team of consultants interact with community groups on a constant basis. The encounters range from large information-sharing forums before civic and business groups, to more personal small gatherings in neighborhoods. The goal is to be open and responsive to the community at all times.

Citizens are encouraged to provide input during the development phase of projects and suggestions also are welcomed during construction. A number of significant changes were incorporated into the 183A project after construction began based on the recommendations of neighborhood groups and individuals.

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And, most importantly, the Mobility Authority has operated with incredible transparency. As a fledgling public agency entrusted with the enormous task of finding new ways to fund transportation infrastructure, the Mobility Authority has drawn significant criticism and close scrutiny. Perhaps no public agency in Texas has undergone the level of internal and external reviews and audits as the Mobility Authority has during the past two years. The results have been unequivocal: the Mobility Authority is well managed and its finances are in order.

COMMUNITY MEETINGS

Mike Heiligenstein and Mobility Authority staff are constantly in touch with the community, holding meetings and gathering input.

"The Mobility Authority has done the right thing by agreeing to construct a subdivision wall to buffer our neighborhood."

Paula Post
BLOCK HOUSE CREEK RESIDENT

Paula Post and her husband bought a tidy, comfortable house in the Block House Creek subdivision. The surrounding parks, schools and family oriented neighborhood would be an ideal place to raise their family. They believed that a wall would be built behind their home. Two years later, the neighborhood was dismayed to learn that the frontage roads for 183A would be located 25 feet from their property lines and no sound wall was planned.

"It was shocking to learn that there would not be a wall," says Ms. Post, who one day soothed her anguish by planting 21 young trees in her small backyard. Block House Creek neighbors then entered into a series of discussions with the Mobility Authority to convey their concerns about the 183A construction. After speaking with the neighbors and listening to their ideas during several meetings, the Mobility Authority's Board of Directors voted to spend $600,000 to build a 6-to-8 foot subdivision wall to separate Block House Creek from the 183A roadway.

"We are grateful that the Mobility Authority has been willing to talk and work with us. We hope that they will continue to work with us in regards to the proximity of the roadway to our backyard fences," says Ms. Post.

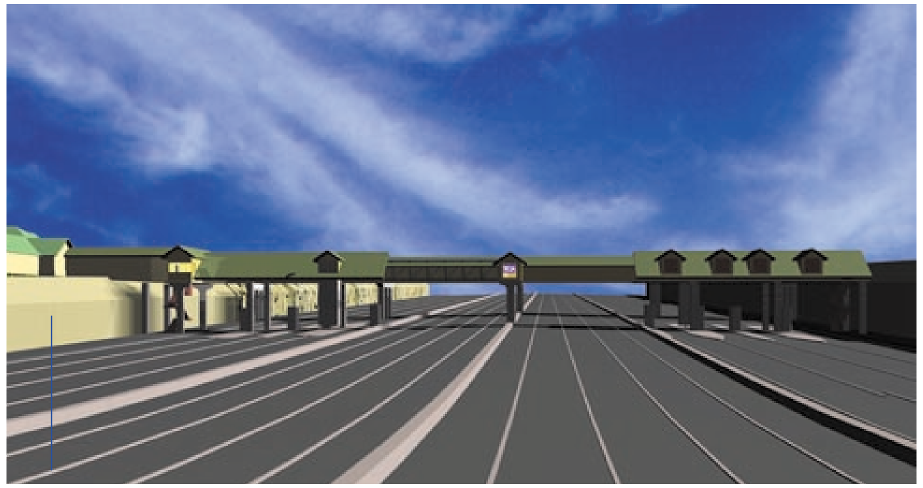
A key component of the 183A project will be the electronic toll collection system that will record toll transactions, account for toll revenue, and track violators. The toll collection system is being implemented by Caseta Technologies and will include open road tolling technology that will allow drivers to use a unique sticker attached to their windshield to pay their toll without slowing down or stopping at a toll plaza. The sticker will be distributed under the name TxTag and will be accepted on toll roads statewide. The Texas Department of Transportation is expected to begin distributing TxTag stickers in mid-2006.

When 183A opens in the spring of 2007, it will achieve much more than simply easing traffic congestion and reducing commute times. The new toll road will be the stimulus for economic growth in the region, and will serve as the economic backbone for Western Williamson County. Tying together the cities of Austin, Liberty Hill, Leander and Cedar Park into one dynamic economic center, 183A will lead to job creation and an improved quality of life.

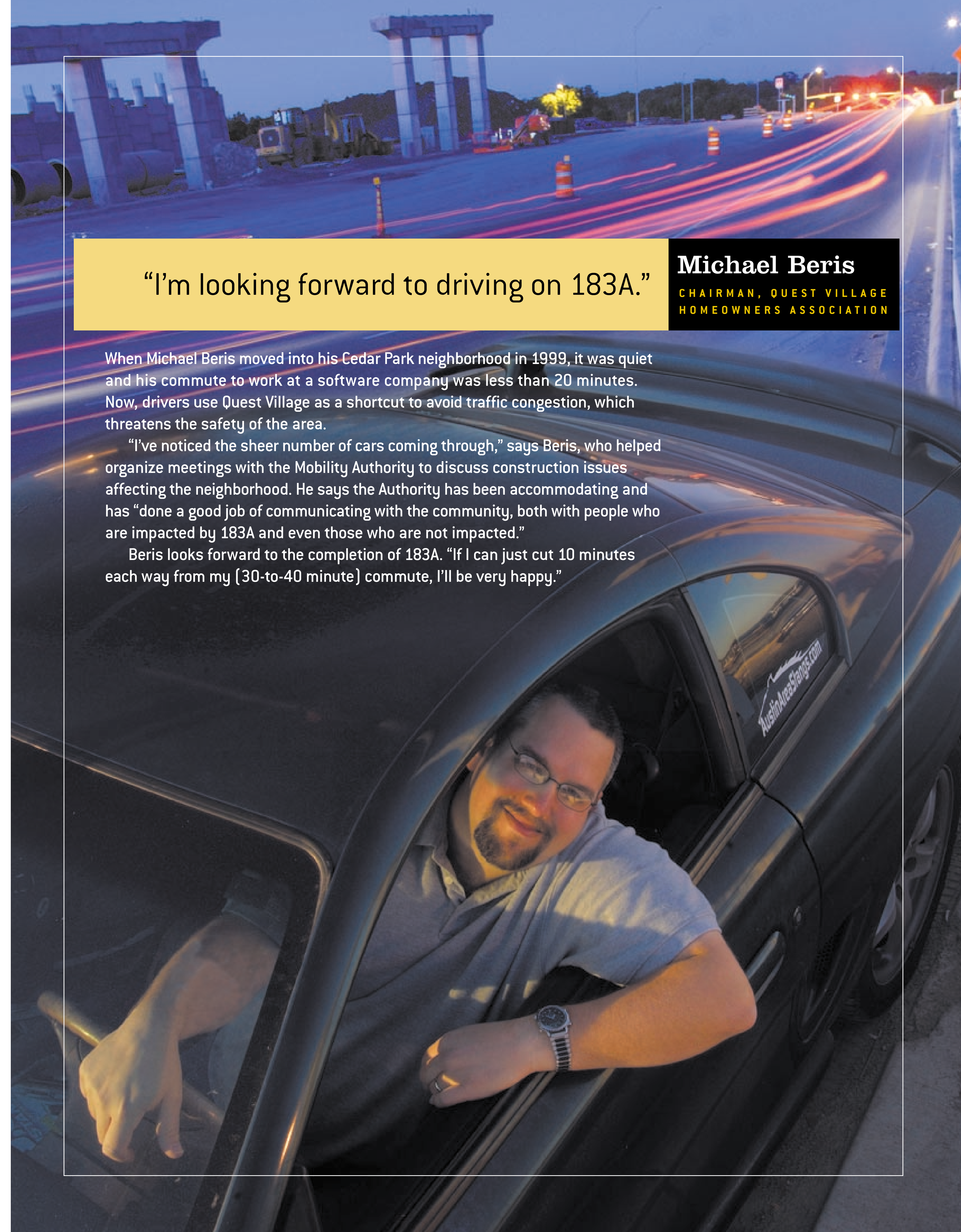
TOLL TAG OPTION

This sticker will be distributed under the name TxTag and will be accepted on toll roads statewide, with distribution in the spring of mid-2006.

The toll collection system will include tolling that will allow drivers to pay their toll without slowing down.



CONCEPTUAL DRAWING OF 183A TOLL PLAZA WITH HIGH SPEED EXPRESS TOLL LANES FOR TXTAG CUSTOMERS



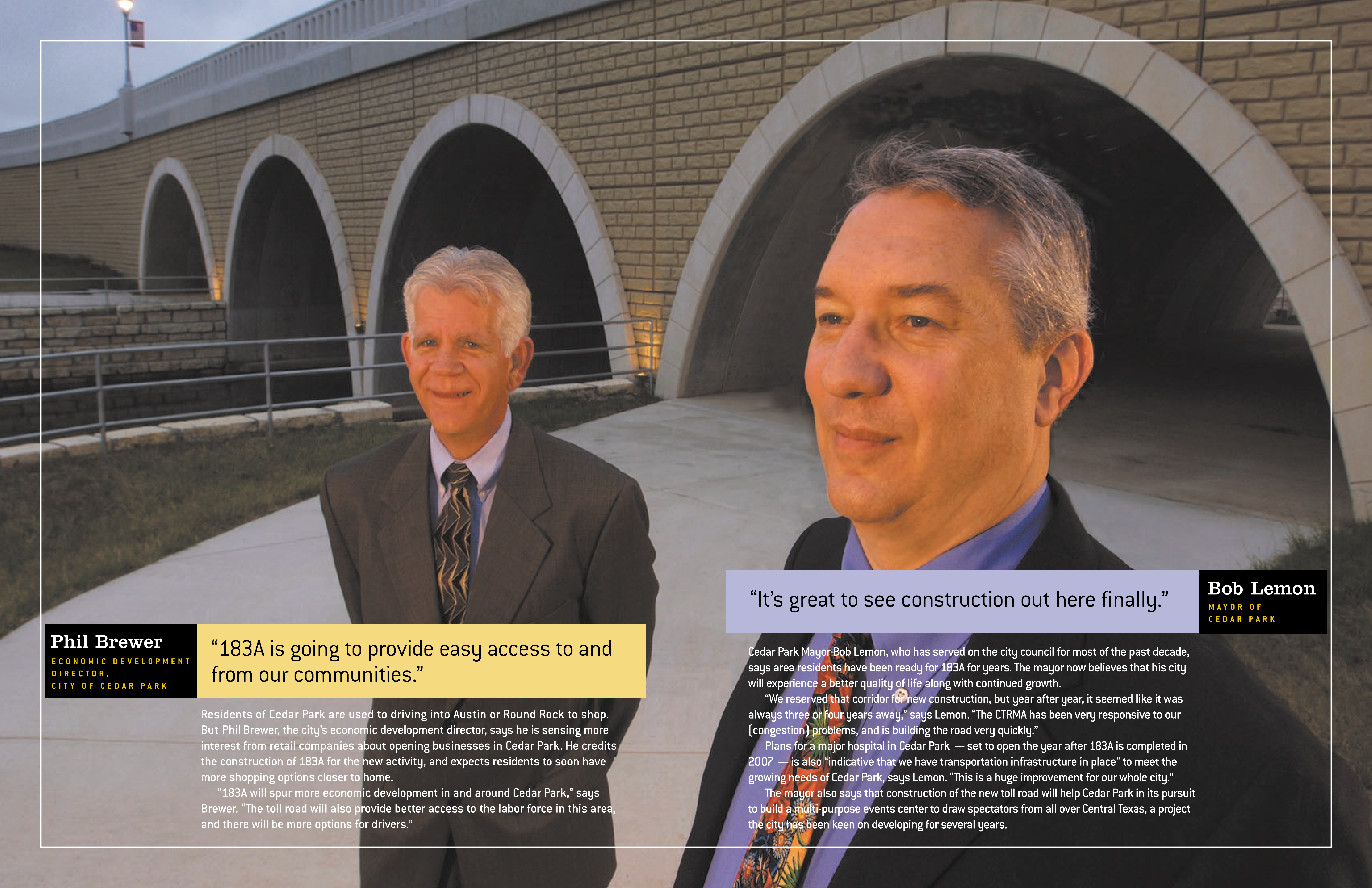
"I'm looking forward to driving on 183A."

Michael Beris
CHAIRMAN, QUEST VILLAGE HOMEOWNERS ASSOCIATION

When Michael Beris moved into his Cedar Park neighborhood in 1999, it was quiet and his commute to work at a software company was less than 20 minutes. Now, drivers use Quest Village as a shortcut to avoid traffic congestion, which threatens the safety of the area.

"I've noticed the sheer number of cars coming through," says Beris, who helped organize meetings with the Mobility Authority to discuss construction issues affecting the neighborhood. He says the Authority has been accommodating and has "done a good job of communicating with the community, both with people who are impacted by 183A and even those who are not impacted."

Beris looks forward to the completion of 183A. "If I can just cut 10 minutes each way from my (30-to-40 minute) commute, I'll be very happy."



Phil Brewer
ECONOMIC DEVELOPMENT DIRECTOR,
CITY OF CEDAR PARK

"183A is going to provide easy access to and from our communities."

Residents of Cedar Park are used to driving into Austin or Round Rock to shop. But Phil Brewer, the city's economic development director, says he is sensing more interest from retail companies about opening businesses in Cedar Park. He credits the construction of 183A for the new activity, and expects residents to soon have more shopping options closer to home.

"183A will spur more economic development in and around Cedar Park," says Brewer. "The toll road will also provide better access to the labor force in this area, and there will be more options for drivers."

Bob Lemon
MAYOR OF
CEDAR PARK

"It's great to see construction out here finally."

Cedar Park Mayor Bob Lemon, who has served on the city council for most of the past decade, says area residents have been ready for 183A for years. The mayor now believes that his city will experience a better quality of life along with continued growth.

"We reserved that corridor for new construction, but year after year, it seemed like it was always three or four years away," says Lemon. "The CTRMA has been very responsive to our (congestion) problems, and is building the road very quickly."

Plans for a major hospital in Cedar Park — set to open the year after 183A is completed in 2007 — is also "indicative that we have transportation infrastructure in place" to meet the growing needs of Cedar Park, says Lemon. "This is a huge improvement for our whole city."

The mayor also says that construction of the new toll road will help Cedar Park in its pursuit to build a multi-purpose events center to draw spectators from all over Central Texas, a project the city has been keen on developing for several years.

Central Texas has launched one of the most aggressive highway construction programs in the country, with $2.4 billion worth of work underway and another $1.75 billion planned in the next five years. The program was put in place by the Capital Area Metropolitan Planning Organization (CAMPO), a group of visionary state and regional leaders with incredible fortitude who refused to let the region spiral into a traffic clogged abyss. Instead of taking a band-aid approach or leaving the problem to future generations, these individuals studied best practices from around the world and developed an innovative transportation program that will keep the state and the region competitive in a global economy.

While the benefits of greater mobility and economic development are still to be fully realized in Central Texas, the framework for success is evident in places like Orlando and Houston where explosive growth and a lack of funding led those communities, years ago to adopt tolling as a vital transportation funding mechanism. Today, because of that foresight, those cities have a comprehensive system of toll roads that generate a constant reliable source of revenue to fund system expansion. For example, in Orlando the local toll road agency is spending more than $300 million a year on roadway projects, about as much money as the federal and state governments combined. The results are impressive. Since 1986 expressway capacity in Orlando has increased 130%. That's compared to 46% in Central Texas.

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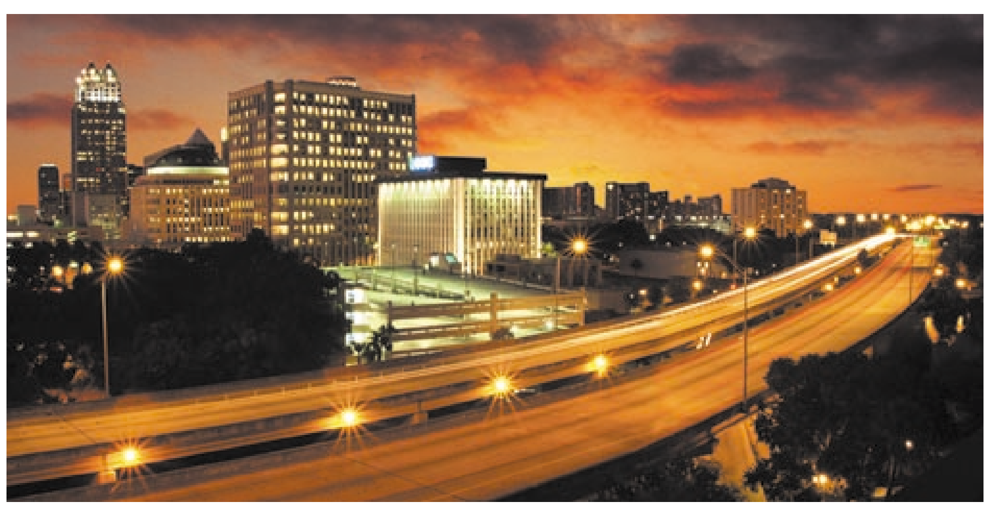
ORLANDO, FLORIDA



The promise of tomorrow is a region-wide network of toll roads that will put Central Texas in the driver's seat when it comes to meeting local transportation needs. The projects of today are just the beginning. As Central Texas doubles in size over the next two decades, the toll road system put in place today will help ensure Central Texas can keep people and goods moving tomorrow and beyond.

HIGHWAY SPEED EXPRESS TOLL PLAZA IN ORLANDO, FLORIDA

CENTRAL TEXAS TOLL ROAD PROGRAM

CENTRAL TEXAS
Regional Mobility Authority

TOLL ROADS UNDER CONSTRUCTION

183A
Scheduled to open in March 2007

SH 130 - TxDOT
Scheduled to open in phases beginning in 2007

SH 45 North - TxDOT
Scheduled to open in phases beginnning in 2006

Loop 1 Extension- TxDOT
Scheduled to open in 2006

US 183
Opening in phases beginning in 2006
(Tolls deferred until all segments completed)

SH 71
Opening in phases beginning in 2006
(Tolls deferred until all segments completed)

PLANNED TOLL ROADS

SH 45 Southeast - TxDOT
Construction contract awarded
(Construction pending)

SH 45 Southwest
Environmental study underway
(Construction projected 2008)

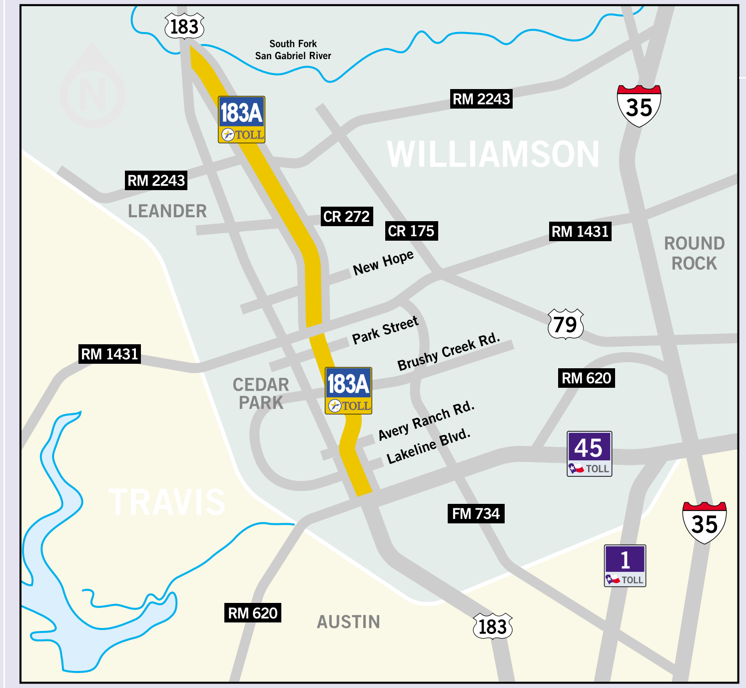
US 290 — SH 71 West
Environmental study underway
(Construction projected 2007)

US 290 East
Environmental study underway
(Construction projected 2007)

US 183
Environmental Study Underway
(Road segment from Springdale Rd. to SH 71)

SH 71 East
Environmental Study Underway
(Road segment from Riverside Dr. to Thornberry Rd.)

Toll roads will offer faster more reliable routes for commerce, improving business efficiencies and attracting new business enterprises to Central Texas.



183A TOLL ROAD

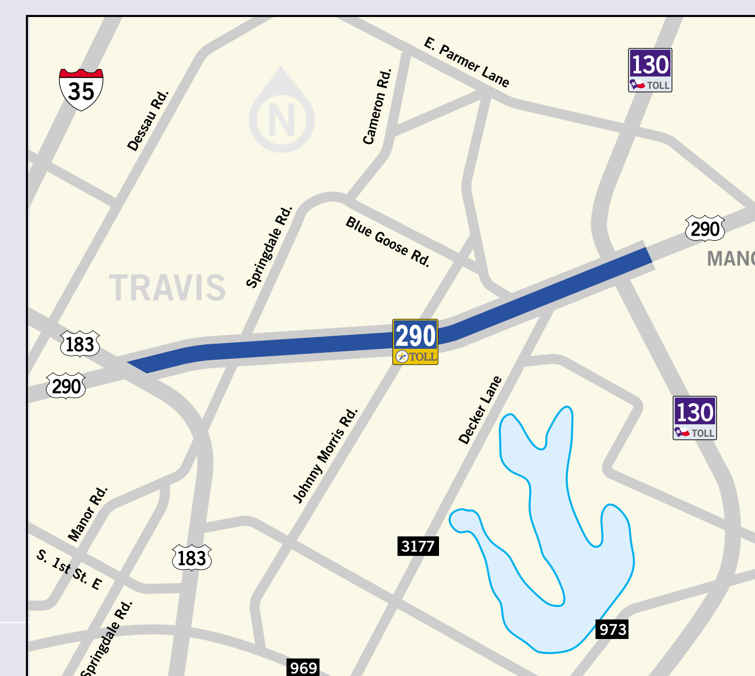
The 183A toll road is the first project to be financed and constructed by the Central Texas Regional Mobility Authority. The 11.6 mile roadway, which has been under discussion since the early 1980's, extends from U.S. 183 at RM 620 to U.S. 183 north of Leander. The road will feature a state of the art electronic toll collection system that will allow customers to pay tolls at highway speed without the need to stop and wait at a toll plaza.

While construction of 183A progresses, plans for the next project, U.S. 290 East, were approved in August of 2005.

The new toll road will be constructed in the median of U.S. 290 east of U.S. 183. It will provide an important link between Central Austin and SH130, the bypass highway that is currently being built east of the city.

As with 183A, the Mobility Authority will utilize innovative financing and contracting methods to expedite construction of the $355 million project. The Texas Department of Transportation is currently completing an environmental study of the corridor and finalizing the roadway alignment. The Mobility Authority has begun initial planning work and expects to begin construction by 2007. The new road should be open to traffic by 2009, at least six years ahead of schedule.

290E TOLL ROAD



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I told the group that the Mobility Authority, working in collaboration with the Texas Department of Transportation (TxDOT) and other entities, would build the highly anticipated 183A project in just three or four years. At that point, an audience member sighed and said this was a promise that had been uttered consistently for more than 20 years. I reiterated that construction would commence "sooner than you think" and that it would be completed years ahead of current expectations. Keeping that promise, the Mobility Authority has forged ahead, quickly assembling the resources necessary to complete the 183A project by the spring of 2007.

Establishing a firm financial footing was a critical step in the project development process. With the assistance of Williamson and Travis Counties, TxDOT and the Federal Highway Administration, the Mobility Authority was able to issue more than $233 million in toll revenue bonds to jump start the 183A project. The bonds achieved an investment grade rating and the Mobility Authority obtained one of the lowest interest rates available in more than 30 years. The bond issue was so successful that it was recognized by The Bond Buyer, a prestigious national financial publication, for its innovation in the municipal finance market. The competition included more than 60 nominations, with the Mobility Authority winning the "Bond Deal of the Year Award" for the Southwest Region, earning a right to compete for national honors with four other regional contenders.

Another critical element of the Mobility Authority program has been the hiring of a team of senior managers and consultants with expertise in toll road development, operation and project finance. These highly qualified professionals are working closely with our dedicated board of directors and the communities we serve to build the best regional Mobility Authority in Texas, setting a high standard for other authorities to follow. Those high standards have been obvious as the Mobility Authority has successfully passed numerous financial, procedural and ethical tests and reviews.

CHAIRMAN BOB TESCH, MOBILITY AUTHORITY

The vision leading to the Mobility Authority's creation was clear: to devise a new system by which to provide transportation options in Central Texas, and to serve as an engine to spur economic growth in our region and to enhance the quality of life we enjoy. Already the communities along the 183A corridor have been energized, and are using construction of this new highway as the stimulus for economic development and growth.

In a few short years, other connecting transportation projects will be added to this new highway network, energizing the entire region, and allowing Central Texas to preserve and enhance the economic vitality it needs to remain one of the most dynamic regions in the country.

Bob Tesch

Financial Statements and Management Discussion and Analysis

JUNE 30, 2005 AND 2004

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, 2005. 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 $243.2 million. The bonds are repayable over the next 40 years.
- Investments were approximately $256 million at June 30, 2005 which are primarily a result of the bonds payable issued and changes in net assets.
- Grant revenue increased to $59.4 million in 2005 from $5.3 million in 2004. The grants were funds received from the Texas Department of Transportation (TxDOT).
- Total operating expenses were approximately $1,293,000 and $553,000 in 2005 and 2004 respectively. The 134% increase in total expenses when compared to 2004 and 39% increase when compared to 2003 is due to the increase of construction and increased operations.
- Total construction in progress was approximately $47.2 million, $5.2 million, and $7 thousand as of June 30, 2005, 2004 and 2003, respectively. Construction in progress will not be depreciated until construction is complete.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2005 AND 2004

Net Assets

The Authority's total net assets were approximately $64.5 million, $5.6 million and $229 thousand as of June 30, 2005, 2004 and 2003, respectively. (See Table A-1). Total net assets increased 1,047% to $64.5 million and total liabilities increased 13,139% to $257.5 million in 2005. In 2004, total assets increased 3,106% to $7.6 million and total liabilities increased 1,770% to $1.9 million. Total net assets as of June 30, 2003 were $229 thousand and total liabilities were $104 thousand. Total current assets have increased every year. This increase is primarily the result of increased receivables, funding from the TxDot, and proceeds of revenue bonds during 2005. In addition, construction on the US-183A Turnpike Project began and work in progress was capitalized in 2005 and 2004.

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

	2005	2004	2003
Current assets	$ 13,618	$ 2,068	$ 229
Restricted assets	248,127	300	-
Capital assets	47,865	5,199	7
Bond issuance cost	12,378	-	-
Total assets	$321,988	$ 7,567	$ 229
Total liabilities	$257,489	$ 1,945	$ 104
Net assets:			
Invested in capital assets	$ 72	$ 5,198	$ 7
Restricted for other purposes	50,809	300	-
Unrestricted	13,618	124	125
Total net assets	$ 64,499	$ 5,622	$ 132

Changes in Net Assets

Change in net assets as of June 30, 2005 and 2004 were approximately $58.9 million and $5.5 thousand, respectively, a 972% and 4,292% increase from June 30, 2004 and 2003, respectively. The Authority's total revenues were $60.2 million, an increase of 896% over 2004, and total expenses were $1.3 million, an increase of 134% over 2004. The Authority's total operating revenues were $6,043 thousand, an increase of 1,040% over 2003, and total operating expenses were $553 thousand, an increase of 37% over 2003 (See Table A-2.)

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

	2005	2004	2003
Revenues:			
Grants and contributions	$ 59,378	$ 5,923	$ 500
Other revenue	792	120	30
Total Revenues	60,170	6,043	530
Expenses:			
Administration	800	179	25
Professional services	493	374	380
Total expenses	1,293	553	405
Change in net assets	58,877	5,490	125
Total net assets, beginning of the year	5,622	132	7
Total net assets, end of the year	$ 64,499	$ 5,622	$ 132

Capital Assets

As of June 30, 2005 and 2004, the Authority had invested approximately $47.8 million and $5.2 million 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 acquired $90 thousand of property and equipment during the year ending June 30, 2005. Accumulated depreciation and amortization on construction in progress will not begin until all construction is complete.

TABLE A-3 Capital Assets (net of depreciation, in thousands of dollars)

	2005	2004	2003
Property and equipment	$ 90	$ -	$ -
Accumulated depreciation	(18)	-	-
Construction work in progress	47,793	5,199	7
Net capital assets	$ 47,865	$ 5,199	$ 7

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 will be 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, 2005, the Authority had total bonded debt outstanding of approximately $243 million. See Table A-4.

TABLE A-4 Long-Term Debt (net of depreciation, in thousands of dollars)

	2005	2004	2003
Series 2005 Obligations			
Subordinated Lien Revenue Bond			
Anticipation Notes	$ 69,568	$ -	$ -
Convertible Capital Appreciation Bonds	16,333	-	-
Current Interest Bonds	157,314	-	-
Net bond debt outstanding	$243,215	$ -	$ -

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons and other 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, 13640 Briarwick Drive, Suite 200, Austin, Texas 78729.

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, 2005 and 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2005 and 2004, 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.

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliances. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.

The Management's Discussion and Analysis on pages 1 through 3 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.

HELIN, DONOVAN, TRUBEE AND WILKINSON, LLP

Helin, Donovan, Trubee + Wilkinson, LLP

August 5, 2005

HELIN, DONOVAN, TRUBEE AND WILKINSON, LLP
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Russell Bedford

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
AS OF JUNE 30, 2005 AND 2004

STATEMENTS OF NET ASSETS

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 273,386	$ 98,059
Investments	12,302,431	-
Accounts receivable	1,025,722	1,969,513
Accrued interest receivable	10,182	-
Prepaid expenses	6,489	899
Total current assets	13,618,210	2,068,471
Restricted assets:		
Cash and cash equivalents (note 2)	4,398,926	300,300
Investments (note 2)	243,728,228	-
Total restricted assets	248,127,154	300,300
Property and equipment, net (note 3)	71,566	-
Construction work in progress (note 3)	47,792,810	5,198,707
Bond issuance costs, net	12,378,232	-
Total assets	$ 321,987,972	$ 7,567,478
Liabilities		
Current liabilities:		
Accounts payable	$ 9,559,598	$ 1,914,619
Accrued interest payable	4,474,792	-
Accrued expenses	2,104	30,111
Total current liabilities	14,036,494	1,944,730
Noncurrent liabilities:		
Bonds payable (note 4)	243,215,218	-
Accumulated accretion on capital appreciation bonds (note 4)	237,240	-
Total liabilities	257,488,952	1,944,730
Net assets		
Invested in capital assets, net of related debt	71,566	5,198,707
Restricted for other purposes	50,809,244	300,000
Unrestricted	13,618,210	124,041
Total net assets	64,499,020	5,622,748
Total liabilities and net assets	$ 321,987,972	$ 7,567,478

See accompanying notes to financial statements.

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2005	2004
Operating revenues		
Grants	$ 59,377,751	$ 5,322,249
Contributions	100	600,465
Proposal filing fees	-	120,000
Interest income, net of interest credited to capitalized interest (note 3)	791,613	319
Total operating revenues	60,169,464	6,043,033
Operating expenses		
Administration	623,328	178,751
Professional services	492,781	373,934
Interest expense, net of interest capitalized, (note 3)	177,083	-
Total operating expenses	1,293,192	552,685
Change in net assets	58,876,272	5,490,348
Total net assets at beginning of the year	5,622,748	132,400
Total net assets at end of the year	$ 64,499,020	$ 5,622,748

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

	2005	2004
Cash flows from operating activities:		
Receipts from Department of Transportation	$ 60,167,426	$ 3,321,799
Receipts from county contributions	100	600,000
Receipts from other fees	102,783	120,784
Receipts from interest income	688,830	
Payments to vendors	(424,423)	(176,296)
Payments to professionals	(395,825)	(312,998)
Payments to employees	(337,399)	(89,151)
Net cash flows provided by operating activities	59,801,492	3,464,138
Cash flows from noncapital financing activities:	-	-
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	243,215,218	-
Payment of bond issuance costs	(12,378,232)	-
Acquisitions of property and equipment	(90,277)	-
Acquisitions of construction in program	(30,243,589)	(3,294,749)
Net cash flows provided by (used in) capital and related financing activities	200,503,120	(3,294,749)
Cash flows from investing activities:		
Purchase of investments	(283,931,246)	-
Proceeds from sale of investments	25,659,582	-
Proceeds from interest income	2,241,005	-
Net cash flows used in investing activities	(256,030,659)	-
Net increase in cash and cash equivalents	4,273,953	169,389
Cash and cash equivalents at beginning of year	398,359	228,970
Cash and cash equivalents at end of year (including $4,398,296 for 2005 and $300,300 for 2004 reported in restricted assets)	$ 4,672,312	$ 398,359
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 58,876,272	$ 5,490,348
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	18,711	-
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	943,791	(1,969,513)
Increase in prepaid expense	(5,590)	(899)
Decrease in accounts payable	(3,685)	(85,908)
(Decrease) increase in accrued expenses	(28,007)	30,110
Total adjustments	925,220	(2,026,210)
Net cash flows provided by non-operating activities	$ 59,801,492	$ 3,464,138

See accompanying notes and independent auditors' report.

NOTES TO FINANCIAL STATEMENTS

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 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 form 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.

1. Organization and Summary of Significant Accounting Policies (continued)

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, 30 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.

The majority of capitalized costs for the year ended June 30, 2005 and 2004 relate to construction in progress and depreciation will not begin until construction is complete and the assets are placed in service. During 2005, computer equipment was obtained and depreciated on the straight-line method over three 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. In addition, the Authority recognizes investment income in the Statement of 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 on 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.

1. Organization and Summary of Significant Accounting Policies (continued)

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 governmental 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 ending June 30, 2005, the Authority amortized $555,908 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. **Deposits and Investments**

Deposits - At June 30, 2005 and 2004, the carrying amounts of the Authority's cash and cash equivalents were $4,672,312 and $398,359, respectively. The bank balances were $252,266 and $431,579 as of June 30, 2005 and 2004, respectively. The remaining amounts are maintained in money market accounts.

Concentration of Deposit Risk - 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. We noted the Authority was fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended June 30, 2005.

Investments - 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.

2. Deposits and Investments (continued)

The Authority's investments are insured or registered and are held by the Authority or its agent in the Authority's name. The Authority's investments as of June 30, 2005 are classified as follows:

	2005
JP Morgan Chase & Co. GICs, April 1, 2007, 3.35%	$ 203,728,126
TexSTAR Investment Pool, 3.0426%	47,337,347
FHLB, June 14, 2006, 3.625%	2,498,878
FHLB, May 16,2006, 2.05%	2,466,308
Total investments	$ 256,030,659
Unrestricted investments	$ 12,302,431
Restricted investments	243,728,228
Total investments	$ 256,030,659
Interest income	$ 3,760,844
Less: interest income capitalized	3,072,014
Total investment income	$ 688,830

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. GICs are fully collateralized with highly rated investment securities.

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2005 and 2004:

	June 30, 2004	Additions	Retirement	June 30, 2005
Property and equipment	$ -	90,277	-	$ 90,277
Accumulated depreciation	-	(18,711)	-	(18,711)
Net property and equipment	$ -	71,566	-	$ 71,566

	June 30, 2004	Additions	Retirement	June 30, 2005
Construction in progress				
Preliminary costs	$ 1,544,431	1,742,314	-	$ 3,286,745
Engineering	3,654,276	8,460,372	-	12,114,648
Construction	-	30,989,254	-	30,989,254
Capitalized interest	-	1,402,163	-	1,402,163
Accumulated depreciation	-	-	-	-
Net construction in progress	$ 5,198,707	42,594,103	-	$ 47,792,810

	June 30, 2003	Additions	Retirement	June 30, 2004
Construction in Progress				
Preliminary Costs	$ 7,357	1,537,074	-	$ 1,544,431
Engineering	-	3,654,276	-	3,654,276
Accumulated depreciation	-	-	-	-
Total construction in progress	$ 7,357	5,191,370	-	$ 5,198,707

Depreciation expense for the year ended June 30, 2005 and 2004 was $18,711 and $0, respectively.

The Authority has entered into construction contracts for the construction of the US-183 A Turnpike Project with a remaining commitment of $176.9 million. The total budget for the construction of the US-183A Turnpike Project is $224.7 million of which $47.8 million has been incurred. The project is expected to be substantially complete in March 2007.

Capitalized interest consists of the following as of June 30, 2005:

Interest accrued on bonds	$ 4,712,032
Less: interest on bond – general fund	(177,083)
Less: bond premium amortization	(610,600)
Plus: bond issuance cost amortization	555,908
Interest expense capitalized	4,480,257
Less: interest earned on bond proceeds invested	(3,072,014)
Less: investment bond discount	(6,080)
	$ 1,402,163

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 will be 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.

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, 2005. 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, 2005, the Authority has not borrowed any moneys 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.

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
AS OF YEARS ENDED JUNE 30, 2005 AND 2004

NOTES TO FINANCIAL STATEMENTS

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	$ 3,568,104	$ 69,568,104
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	144,291	1,639,291
Current Interest Serial Bonds	2013	5.00%	2,720,000	268,512	2,988,512
Current Interest Serial Bonds	2014	3.50%	3,100,000	(18,027)	3,081,973
Current Interest Serial Bonds	2022	5.00%	3,260,000	236,783	3,496,783
Current Interest Serial Bonds	2023	5.00%	3,115,000	216,284	3,331,284
Current Interest Serial Bonds	2024	5.00%	2,995,000	195,921	3,190,921
Current Interest Term Bonds	2025	4.50%	2,950,000	(21,237)	2,928,763
Current Interest Term Bonds	2026	4.50%	4,235,000	(30,516)	4,204,484
Current Interest Term Bonds	2027	4.50%	4,280,000	(30,866)	4,249,134
Current Interest Term Bonds	2028	4.50%	3,815,000	(27,534)	3,787,466
Current Interest Term Bonds	2029	4.50%	3,870,000	(27,950)	3,842,050
Current Interest Term Bonds	2030	5.00%	3,930,000	184,690	4,114,690
Current Interest Term Bonds	2031	5.00%	5,200,000	244,514	5,444,514
Current Interest Term Bonds	2032	5.00%	5,250,000	246,996	5,496,996
Current Interest Term Bonds	2033	5.00%	5,315,000	250,175	5,565,175
Current Interest Term Bonds	2034	5.00%	5,395,000	254,054	5,649,054
Current Interest Term Bonds	2035	5.00%	5,490,000	258,634	5,748,634
Current Interest Term Bonds	2036	5.00%	7,170,000	280,179	7,450,179
Current Interest Term Bonds	2037	5.00%	7,320,000	286,141	7,606,141
Current Interest Term Bonds	2038	5.00%	7,485,000	292,685	7,777,685
Current Interest Term Bonds	2039	5.00%	7,670,000	300,010	7,970,010
Current Interest Term Bonds	2040	5.00%	7,875,000	308,114	8,183,114
Current Interest Term Bonds	2041	5.00%	9,000,000	352,222	9,352,222
Current Interest Term Bonds	2042	5.00%	9,245,000	361,898	9,606,898
Current Interest Term Bonds	2043	5.00%	9,520,000	372,748	9,892,748
Current Interest Term Bonds	2044	5.00%	9,810,000	384,183	10,194,183
Current Interest Term Bonds	2045	5.00%	10,125,000	396,599	10,521,599
Total Current Interest Bonds			151,635,000	5,679,503	157,314,503
Total Series 2005 Senior Lien Revenue Bonds			167,967,611	5,679,503	173,647,114
Total Series 2005 Obligations			$233,967,611	$ 9,247,608	$243,215,218

4. Bonds Payable (continued)

The amount of accumulated accreted interest on the Series 2005 Convertible CABs as of June 30, 2005 is set forth in the following table. The accumulated accreted interest will be 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	Unamortized Premium (Discount)	Total
Series 2005 Senior Lien Revenue Bonds					
Convertible Capital Appreciation Bonds	2015	4.20%	$ 1,593,394	$ 39,241	$ 1,632,635
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	35,521	3,160,270
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	32,262	2,771,081
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	29,504	2,453,247
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	34,927	2,211,931
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	22,043	1,991,413
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	43,742	2,349,274
Total Convertible Capital Appreciation Bonds			$ 16,332,611	$ 237,240	$16,569,851

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

Fiscal Year Ended June 30	Principal	Interest	Total Amount
2006	$ -	$ 9,844,542	$ 9,844,542
2007	-	10,739,500	10,739,500
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 and thereafter	167,967,611	199,810,746	367,778,357
	$233,967,611	$246,013,288	$479,980,899

5. Rebatable 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, 2005.

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 for a few high-risk assets 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 2005 and 2004.

7. Employee Retirement Plan

Plan Description - The Authority contributes to the Williamson County Retirement Plan (a defined contribution pension plan), which 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 2005 and 2004, 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 13.95% of gross pay which totaled $36,800 and $0 for 2005 and 2004, respectively.

8. Disaggregation of Receivable and Payable Balances

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2005 and 2004. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2005 and 2004.

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 $47,337,347 in TexSTAR as of June 30, 2005.

10. Commitments and Contingent Liabilities

The Authority has entered into an engineering, construction, and other contracts for the construction of the US-183 A Turnpike Project with a remaining commitment of $176.9 million. The total budget for the construction of the US-183A Turnpike Project is $224.7 million of which $47.8 million has been incurred. The project is expected to be substantially complete in March 2007.

On March 1, 2005, litigation against the Authority was initiated by an individual and a non-profit organization (People for Efficient Transportation, Inc. or "PETI") seeking to enjoin the Authority's bond sale for the 183-A Turnpike Project. The injunction was denied, and the transaction consummated. PETI proceeded with the lawsuit asserting that the statutory provisions regarding the Authority's board member terms were unconstitutional. Currently, there is a claim made by PETI to recover attorney's fees which could escalate to approximately $68,000, if granted. The Authority plans to vigorously oppose the request for payment of attorney's fees to PETI.

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 approximately $725,860.

11. Concentrations

Approximately $59.4 million or 99% of the Authority's total revenues of $60.2 million is provided by the Texas Department of Transportation.

“This is an important project and we are proud to be part of a team that is helping reduce traffic congestion.”

Oscar Rodriguez’ company has the critical responsibility of assuring that 183A is built according to specifications. “We have to make sure that everything is built to standards and to plans,” says Rodriguez.

Oscar H. Rodriguez PRESIDENT, RODRIGUEZ ENGINEERING LABORATORIES

“This toll road is going to be a huge benefit for me.”

Mike Elmore drives 200 miles a day on Central Texas roads. “My job requires that I be on the road constantly. Build the toll roads as fast as you can!” says Elmore.

Mike Elmore SMALL BUSINESS OWNER