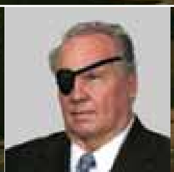
CENTRAL TEXAS
Regional Mobility Authority

Central Texas in MOTION

2006 ANNUAL REPORT

Board of Directors



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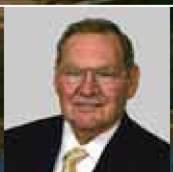

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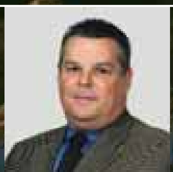
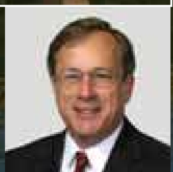


DAVID SINGLETON

JOHANNA ZMUD PH.D



MIKE HEILIGENSTEIN
Executive Director

A Message From The Chairman

While much of the nation saw an economic slowdown in 2006, Central Texas bucked the trend. Driven in part by a $4 billion toll road construction program, the region experienced impressive business expansion, with a 90% occupancy rate for class A office space, a 3.2% increase in the number of jobs and a record setting number of new home starts. Economic growth extended to all corners of the community where the promise of quicker commutes and expedited freight movement attracted new businesses and residents. The growth is impressive, and it emphasizes the need to continue planning a comprehensive approach to solving current and projected mobility needs. This year's annual report recounts this exciting news for toll road investors and community members alike.

For the community, the growing economy and the opening of new toll roads to meet the demands of the driving public offers the promise of continued prosperity and an improved quality of life. For bond holders, it suggests that new toll roads such as the Mobility Authority's 183A will attract enough drivers to generate the revenue needed to meet financial obligations.

A significant amount of the region's economic activity has been occurring in the cities of Cedar Park and Leander near 183A, the Mobility Authority's first toll road. With 183A construction nearing completion, several nearby development projects have been kicked off. In Cedar Park alone, more than 1,500 new jobs are being created with the addition of 850,000 square feet of new retail space and a 260,000 square foot regional hospital. In Leander, developers are actively pursuing prime development sites along 183A. At one intersection a total of 74 acres is being considered for 644,000 square feet of retail, office or light industrial space and 1,600 apartments.

Meanwhile, the Mobility Authority is finalizing plans for U.S. 290 East, a critical link between central Austin and major employers as well as a major hurricane evacuation route from Houston. With 183A opening on schedule in March 2007 and U.S. 290 East possibly under construction in the near future, the Mobility Authority is confirming the wisdom of the Commissioner's Courts of Travis and Williamson counties and the Texas Legislature in adopting the Regional Mobility Authority model as an effective way to address the state's transportation challenges.

Bob Tesch,
Chairman

Central Texas Toll Road Program

Vibrant growth is occurring throughout Central Texas. Toll roads offer the mobility these communities will depend on to sustain their quality of life while enjoying the benefits of economic expansion. In the pages that follow, you will learn more about the development hot spots in our region and how the toll road system is linking them all together.

COMMUNITY PROFILES

1. Cedar Park/Leander
2. Round Rock
3. Manor/Elgin Area
4. Austin-Bergstrom International Airport
5. Buda

TOLL ROADS OPEN TO TRAFFIC

- 1 — Loop 1 Extension - TxDOT
- 45 — SH 45 North - TxDOT
- 130 — SH 130 - TxDOT
- 183 — US 183
- 71 — SH 71

TOLL ROADS UNDER CONSTRUCTION

- 130 — SH 130 - TxDOT, Open 2007
- 45 — SH 45 North - TxDOT, Open 2007
- 45 — SH 45 Southeast - TxDOT, Construction projected 2007
- 183A — 183A, Scheduled to open in March 2007

PLANNED TOLL ROADS

- 45 — SH 45 Southwest, Construction projected 2008
- 290 — US 290 — SH 71 West, Construction projected 2008
- 290 — US 290 East, Construction projected 2008
- 183 — US 183, Construction projected 2007
- 71 — SH 71 East, Construction projected 2011
- 360 — Loop 360, Planned environmental study

Driving Development

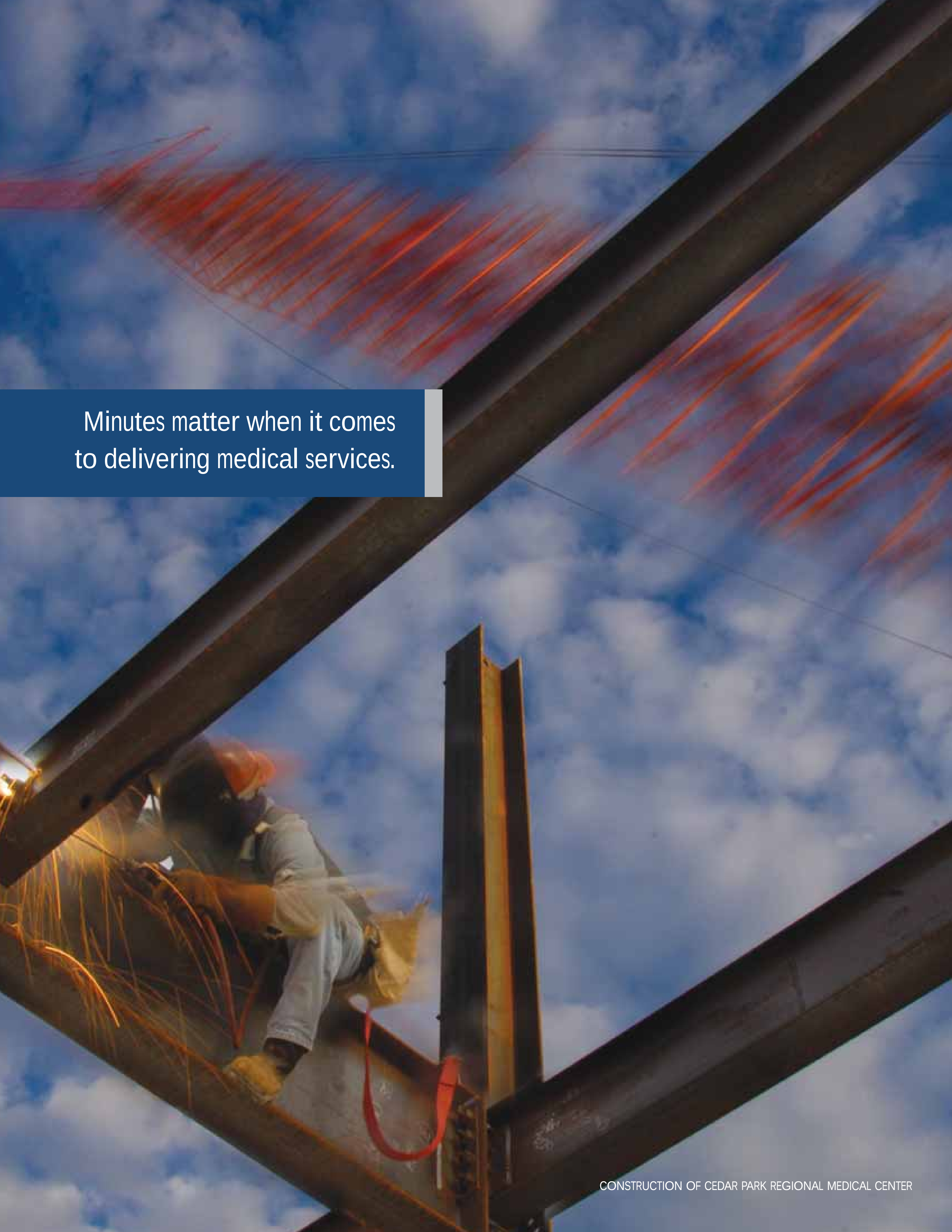
Booming populations demand all kinds of new services, and that's exactly what a new town center in Cedar Park aims to deliver. The new, 480-acre Cedar Park Town Center is slated to feature 1,300 homes, high-end retail, offices, restaurants and a new hospital.

A joint venture between Seton Family of Hospitals and Triad Hospitals Inc., the Cedar Park Regional Medical Center will open in January 2008, about 9 months after the 183A toll road is slated to open. The $105 million project will feature 151 beds and create an estimated 500 new jobs.

Top executives with the hospital say its location was thoughtfully chosen after considering several different parcels. Ultimately, a 68-acre tract along the future 183A, near FM 1431, was selected because "we knew it would provide good access to our patients," notes David Klein, MD, Chief Executive Officer of Cedar Park Regional Medical Center. "Locating a hospital along a major roadway is optimal because it helps with accessibility and visibility, two necessities for success," Klein says.

Minutes also matter when it comes to delivering medical services, Klein notes. "Obviously when someone is sick or injured, depending on their condition, every minute counts," Klein says, pointing to conditions like a heart attack or labor. "Highway 183A is really critical to the growth of this area and critical to us being able to provide our healthcare services."

Minutes matter when it comes to delivering medical services.



CONSTRUCTION OF CEDAR PARK REGIONAL MEDICAL CENTER

TRANSIT ORIENTED DEVELOPMENT

Seton Family of Hospitals agrees, adding it has been a longstanding proponent of improvements to the local roadway network. “We’re engaged in conversations about roadways because it fits with our mission to improve access to healthcare,” says Ed Berger, vice president of advocacy and government relations for the Seton Family of Hospitals.

In nearby Leander, the 183A project is spurring much economic activity as well. A new H-E-B grocery store is under construction, and regional leisure activity centers are being planned. The City of Leander is also moving forward with creation of a 2,000 acre Transit Oriented Development that will someday be home to more than 30,000 new residents.

THE IMPORTANCE OF ROADWAYS TO PUBLIC HEALTH

- Improve roadway safety. Limited-access highways like 183A are generally safer than other roadways.
- Improve the health of local residents. Congestion adds to air pollution, which aggravates conditions like asthma and emphysema.
- Improve access to care. Patients, EMS and medical professionals need to be able to get to medical centers and other providers quickly.
- Improve employee productivity. Clogged roadways frustrate the area workforce, including Seton’s 8,000 local professionals who find it difficult to get to and from work.

CEDAR PARK’S POPULATION GROWTH:

2000 Census	April 2005	Percent Growth
26,049	48,139	84.8%

(Source: U.S. Census Bureau)

LEANDER’S POPULATION GROWTH:

2000 Census	April 2005	Percent Growth
7,596	17,851	135%

(Source: U.S. Census Bureau)

> "Time spent parked on clogged roadways is productive time lost."

ROUND ROCK

The Need for Speed

A Dell Inc. spokesperson once said: "Speed is of the essence in our business." Certainly, the statement applies to the computer company's technology. But it wasn't said in reference to its products – it was said in reference to transportation. More specifically, the comment drove home the fact that more than 60% of its Round Rock employees indicated their work commutes had increased as much as 30 minutes in the 2-year period between 1998 and 2000.

"Solid transportation infrastructure is critical for businesses like Dell. We rely on local roadways to move our people, components and products in and out of the region," says David Frink, Director of Public Affairs for Dell.


DELL

The new State Highway 45 North toll road provides a direct link to Dell's corporate headquarters in Round Rock and will allow Dell's more than 17,000 local employees quick access to the rest of the region via other major toll roads including Loop 1, State Highway 130 and the Mobility Authority's 183A project.

"Time spent parked on clogged roadways is productive time lost whether at home with friends and family or at Dell. It's a major quality-of-life issue for our team and everyone in or traveling through the region," Frink says. It also has an impact on Dell's manufacturing operations. "The bulk of our inbound and outbound suppliers rely solely on ground transportation, so slowdowns on major roadways can inevitably affect local industry," Frink adds.

Dell recently announced a plan to add 500 engineers, and the toll roads are helping to spur and serve other economic centers in the Round Rock area. Among those centers is the new Round Rock Premium Outlets featuring 125 stores, including many upscale retailers and the Swedish furniture retailer IKEA, which has opened a 252,000-square-foot store that employs more than 300 individuals.

ROUND ROCK'S POPULATION GROWTH:

2000 Census	April 2005	Percent Growth
61,136	86, 316	41.2%

(Source: U.S. Census Bureau)

SLIDE POOL AT SHADOWGLEN

MANOR/ELGIN AREA

Connectivity is Key

Thanks to its proximity to Austin and major employers like Samsung Austin Semiconductor and Applied Materials, it was only a matter of time before the once-sleepy Manor area was “discovered.” With a pipeline full of relatively affordable housing and an improving transportation network, people and companies are taking notice of the area’s potential. In fact, the town grew nearly 300% in the past 6 years.

Samsung, for example, announced plans to build a new fabrication plant at its site in Northeast Austin in April 2006. With a reported capital investment of up to $5 billion, the plant represents one of the largest single investments by a foreign company in the United States.

Planning experts have deemed Manor as one of the region's most desired areas of growth.

Economic experts also extolled the expansion, predicting it will secure the region's future as a major chip-making hub for at least the next decade. And the addition of 900 local jobs, paying an average of $60,000 a year, is sure to generate substantial business for nearby companies.

Longtime area developer Pete Dwyer, a board member of Envision Central Texas, also notes that Manor has been deemed one of the region's desired areas of growth by planning experts. More than 1,500 new homes have been added each year for the past 5 years. Dwyer has plans to develop another 7,000 acres of land in the Manor area where more than 10,000 homes and 5,000 multifamily units will be constructed. He also notes that all of the residential development and the new highway system are attracting new commercial development including several new shopping centers.

Dwyer also underscores the importance of connectivity for the Manor area. Given the community's location between the newly opened State Highway 130 and I-35, proper east-west linkage is imperative. More specifically, he says in order for SH 130's full potential to be realized, roads like U.S. Highway 290 East must be improved.

The $1.5 billion, 49-mile northern segment of SH130 developed by TxDOT generally runs parallel to I-35 from Georgetown to Seguin and offers an alternative to the often-congested I-35. It was the Central Texas region's first toll-road project, with the first portions opening well ahead of schedule in late 2006. The Mobility Authority envisions improving U.S. Highway 290 East as part of its Phase II toll road plan, helping to develop the critical thoroughfare.

Dwyer sees the new and improved roadways as critical to homeowners and employers alike. "It means being able to get to your job, get your kids to school and being able to go buy goods and services. They're vital to being able to get around," Dwyer says. "Even if you don't have a time-sensitive job, if you're sitting in your car an extra hour a day, you could be sitting at your house painting a picture or working in your garden."

MANOR'S POPULATION GROWTH:

2000 Census	November 2006	Percent Growth
1,204	5,220	333.6%

(Source: U.S. Census Bureau and the City of Manor)

AUSTIN-BERGSTROM INTERNATIONAL AIRPORT

Providing Global Access

Commercial airports serve as multi-modal hubs, providing a vital link to the global economy, and Austin-Bergstrom International Airport (ABIA) is no exception. It provides non-stop passenger service to 34 destinations across the country and serves as the operating base for many international cargo-shipping services.

Being able to get to and from the airport quickly is critical to individuals and businesses alike, and the Central Texas Toll Road Program is linking the airport to the rest of the community. Located between U.S. Highway 183 and the new State Highway 130 and immediately south of State Highway 71, the airport could soon be served by a trio of high-speed tolled expressways. That will be crucial as the airport continues to grow by leaps and bounds, regularly setting new records for passenger traffic. In fact in June 2006, the airport hit a new high of 743,459 passengers.

Speedy air delivery is of little value if the cargo being shipped is going to be stuck in traffic.

While most people think of passenger traffic when they think of airports, much airport activity is actually based around cargo shipments, and speedy delivery via air is of little value if the cargo being shipped is stuck in traffic getting to or from the airport. “Air cargo is almost the moniker for time-definite. Air cargo means time-definite,” says Ray Brimble, managing partner of Lynxs CargoPorts. Brimble’s company developed and manages the air cargo distribution facilities at ABIA and other airports worldwide. The ABIA site features more than 190,000 square feet of distribution space, and houses tenants like FedEx, DHL Express and UPS.

Brimble offers particular praise for the new SH130, a $1.5 billion, 49-mile alternative to I-35. Located less than one mile from ABIA, the new road will make life a lot better for both passengers and air cargo alike. “It’s going to be a big ‘*Aha!*’ moment for people,” Brimble says. He points out that time saved will translate to money earned for local manufacturers. Shaving minutes off roadway travel times means production lines can run later and have goods still catch the same planes.

Brimble points out most local manufacturers are located in the northern part of the region, so SH130 stands to help companies’ delivery trucks avoid a great deal of congestion. Even 30 minutes “can translate into millions of dollars of production,” Brimble says. “SH130 links the areas together in a fast, non-stop way. It makes the high-tech production areas to the north that much closer,” Brimble says. “It makes Austin very competitive. Having that access to the airport is going to have all kinds of benefits that will translate to wealth creation and commercial success.”

ABIA’S PASSENGER ACTIVITY:

Jan. – Dec. 2000	Jan. – Dec. 2006	Percent Growth
7.7 million	8.3 million	7.9%

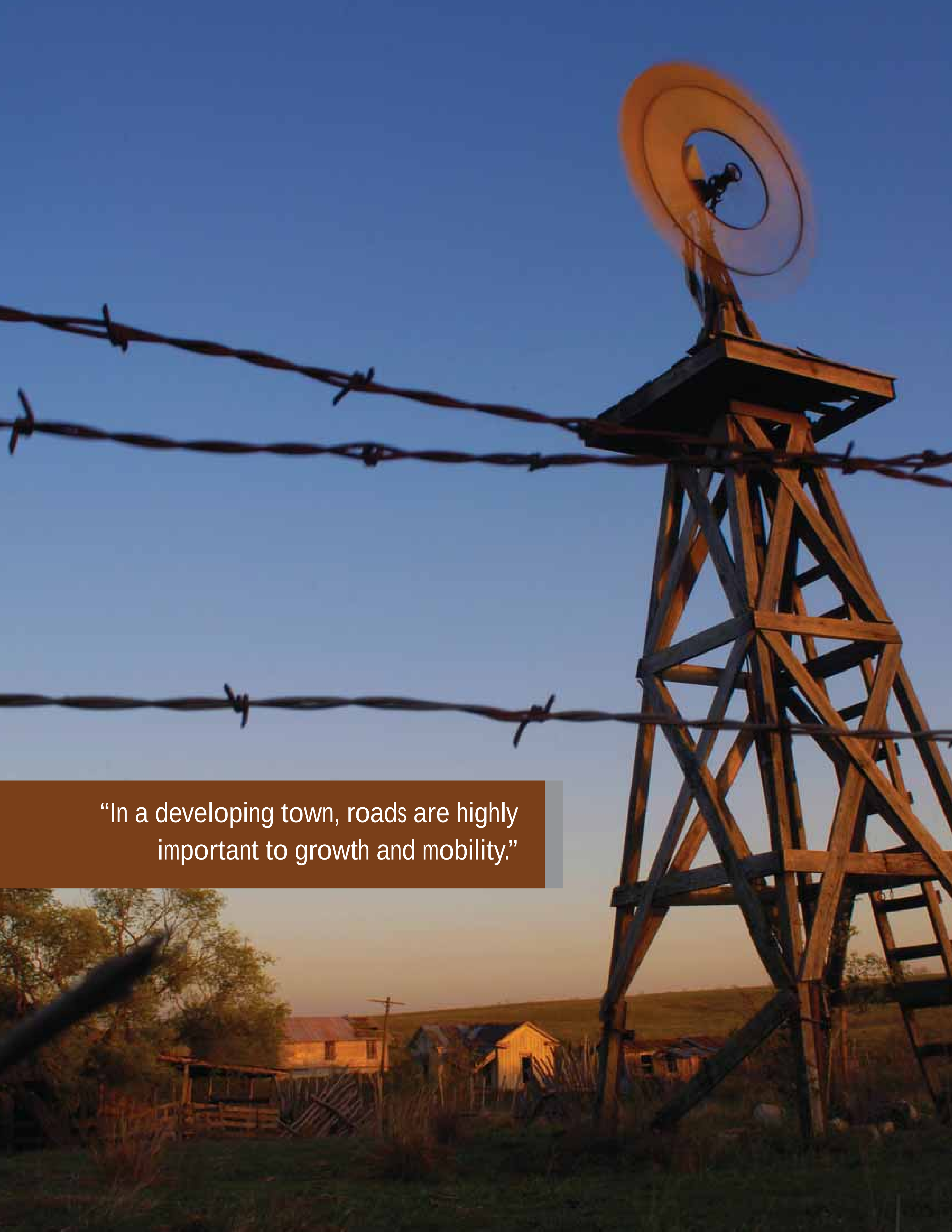
(Source: ABIA)

BUDA

On the Brink of a Boom

Buda recently made the news with a headline that read: *"Small 'City' Cropping Up East of Buda."* The *Austin American-Statesman* article describes rolling pastureland "slated to support thousands of houses and apartments, acres of shops, three schools and several major office buildings."

Over the course of the next 20 years, a 2,800-acre project known as Sunfield is expected to see the construction of more than 3,600 new single-family homes, 1,800 town homes and 1,900 apartment units, plus an additional 812 acres of commercial and retail development. The addition of 7,300 residences is incredible when you consider the City of Buda's entire population today is less than 4,000. The Sunfield property runs east of



"In a developing town, roads are highly important to growth and mobility."

I-35 on the southern border of the State Highway 45 Southeast toll road project. "As with any development in a growing town, roads are highly important to the growth and mobility of the town," says Steve Bartlett, the developer of the Sunfield project.

The City of Buda felt strongly enough about the need for roadway improvements that its city council recently approved more than $34 million in road construction and interstate access improvements east of I-35. Those improvements will work hand in hand with the future SH45 toll road, "SH45 will give access to areas between I-35 and SH130. This will tie Buda to the airport and other employers in the area," Bartlett says.

Buda's Mayor John Trube agrees, noting roads are a key component to the city's future. "The opening of SH 45 will provide Buda citizens a major North/South mobility option along SH 130 and confirm Buda as a regional player for future corporate headquarters sites." says Trube.

One major employer in the area is Cabela's, which selected Buda as home for its first store in the Lone Star State. The 185,000 square-foot store anchors a 126-acre development at I-35 and Loop 4, about 15 miles south of Austin. It attracts hunting, fishing and outdoor enthusiasts from across the region and beyond.

BUDA'S POPULATION GROWTH:

2000 Census	April 2005	Percent Growth
2,404	3,948	64.2%

(Source: U.S. Census Bureau)

DOWNTOWN BUDA

Mobility Authority Gains Momentum

NEW WEB SITE A VALUABLE MOBILITY RESOURCE

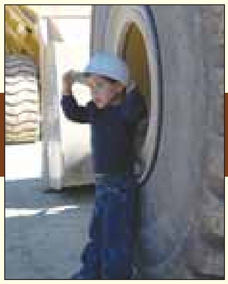
During FY 2006, the Mobility Authority deployed an enhanced, more visually appealing Web site that offers a more intuitive menu structure. The site includes links to many valuable transportation resources, and a number of audiovisual elements have been added, including an animated Virtual Tour of the 183A project.

STUDYING THE MOBILITY FUNDING CRISIS

The Mobility Authority supported community efforts to analyze the best way to finance future transportation needs by participating in a regional Mobility Alternative Finance Study. The study was a joint effort of Williamson County, Hays County, Travis County, the City of Austin and the City of Round Rock. The Mobility Authority provided traffic and revenue data to CRA International, the firm hired to complete the report.

BUILDING BRIDGES TO THE COMMUNITY

Establishing strong ties to the community has been a top priority for the Mobility Authority. In support of that effort, the staff actively and consistently engaged with community leaders, neighborhood groups and individual residents. During FY 2006, the Mobility Authority scheduled numerous meetings with future customers who live and work along the 183A and U.S. Highway 290 East roadway corridor. Hill Country Constructors, the consortium building 183A, offered project tours to community groups, and nearby residents were invited to a Kid's Day event at the construction site to learn more about the activities involved in building a project like 183A. The staff communicated frequently with the Cedar Park, Leander and Manor Chambers of Commerce and participated in a number of economic development activities, including presentations to these organizations and several bus tours of the community and the 183A project.



MOBILITY PROJECTS BOOST SMALL BUSINESSES

The Mobility Authority has been actively working with small and disadvantaged Central Texas businesses to ensure those companies are aware of contracting opportunities with the organization and its business partners. The Mobility Authority hosted Business Opportunity forums and met with trade groups and associations in the community. The Mobility Authority has also emphasized the importance of meeting Business Opportunity goals and has ensured that the 183A project is meeting those objectives.

Project Design and Development

SEEDS BEING PLANTED FOR NEXT TOLL PROJECT

Planning work for the 290 East toll project intensified in FY 2006. The Mobility Authority hired URS Corporation to conduct a Traffic and Revenue Study while the Texas Department of Transportation moved forward with the Environmental Assessment for the project.

As part of the project development process, the Mobility Authority conducted a series of Context Sensitive Design meetings to gather community input about the desired aesthetic qualities of the road. The Mobility Authority worked with residents to develop three proposed design options. Following a community meeting where all of the options were presented, a vote was conducted, and a design approach referred to as Central Texas Heritage was selected.

Meanwhile, the Mobility Authority proceeded with establishing the Comprehensive Development Agreement for the project. The selection process led to the short-listing of three firms. A request for detailed proposals will be issued once the construction schedule has been finalized.

TXTAG® STICKERS HIT THE ROAD

A new driving day has dawned in Central Texas, and it comes with a new way to pay: TxTag accounts. The tag, a small sticker that attaches to the windshield behind a vehicle's rear view mirror, offers drivers the most convenient way to pay tolls.

The Mobility Authority has been working closely with the Texas Department of Transportation to develop and coordinate TxTag marketing efforts. TxTag sticker distribution began in April 2006, and the tags are initially being made available to customers at no cost. Eventually they will be sold at a cost of $9.65 per tag. TxTag accounts are being promoted through traditional advertising channels, and a Community Event Team is being dispatched to numerous locations to sign up customers. The Mobility Authority is developing its own TxTag marketing efforts targeted specifically at potential users of 183A.

183A AN EYE-CATCHING ADDITION TO CENTRAL TEXAS

Aesthetics have been a major focus on the 183A project, with the Mobility Authority spending more than $7 million on beautification projects. For example, all of the concrete structures will be painted, the traffic signals and poles will be colored and they will be upgraded with backlit street name signs. There will be enhanced landscaping and, as part of an agreement with the Lady Bird Johnson Wildflower Center, wildflower meadows will be planted at key locations along the roadway. Meanwhile, construction of 183A advanced rapidly, remaining on pace for a March 2007 opening.

FIELD OPERATIONS BUILDING

MAINLANE TOLL PLAZA

ELECTRONIC TOLL-COLLECTION SYSTEM EVOLVING BYTE BY BYTE

In preparation for the opening of 183A, the Mobility Authority's toll-system integrator, Caseta Technologies, has been developing and testing the hardware and software for the electronic toll-collection system. To facilitate that effort, Caseta installed a series of electronic toll lanes on an overpass on the MoPac Expressway in North Austin to conduct live system testing. The firm also installed a mock cash toll lane in a nearby parking lot.

TXTAG PARTNERSHIP INKED WITH TXDOT

A major accomplishment in FY 2006 involved working on an interlocal agreement with the Texas Department of Transportation to handle customer-service and violation-enforcement functions on behalf of the Mobility Authority. Under the agreement, the Mobility Authority will accept payment from TxTag accounts, Houston's EZ-Tag and the Dallas TollTag on 183A and future Mobility Authority toll roads. Transactions from those customers will be sent to the TxTag customer service center for processing and reconciliation. The Mobility Authority will also send photo images of toll violators to TxDOT for processing and enforcement action.

Texas Department of Transportation

NTTA NORTH TEXAS TOLLWAY AUTHORITY

HARRIS COUNTY TOLL ROAD AUTHORITY

AGREEMENT REACHED FOR TOLL PLAZA MANAGEMENT

The Mobility Authority has completed an interlocal agreement with the Texas Department of Transportation that will allow toll plaza operations on 183A to be managed by Washington Group International (WGI). WGI will provide toll plaza staffing and will be responsible for ensuring the safe and accurate handling of all cash toll payments. WGI will also provide facility maintenance services for the toll plazas.

PARK STREET TOLL PLAZA UNDER CONSTRUCTION

Mobility Authority

BUILDING A SUPERIOR ORGANIZATION

Throughout its existence, the Mobility Authority has emphasized the strategic hiring of highly skilled individuals with the knowledge and expertise necessary to make the agency a world-class transportation provider. At the same time, the agency has emphasized the importance of remaining lean and agile. Under that mindset the agency made some key hiring decisions in FY 2006. Mario Espinoza, a highly respected community-affairs professional with deep roots in Central Texas, was hired to serve as Director of Community Development. Tom Nielson, a well-known Central Texas lawyer and former Round Rock City Council member, was brought on to serve as General Counsel. Cecilia Martinez, a formidable assistant with 20 years experience, was brought on as an Executive Assistant to the Executive Director, Mike Heiligenstein. Finally, Melissa Hurst was hired as a Communication and Marketing Specialist. Hurst came to the authority from PBS&J, where she helped market their toll-consulting services. With the addition of these employees, the total staff of the Mobility Authority now stands at 11 individuals.

SAYING GOODBYE TO A FOUNDING BOARD MEMBER

Dr. Johanna Zmud, a founding member of the Mobility Authority Board, decided in 2006 that she would step down from the position. Zmud, the owner of a nationally known statistical research firm, NuStats, LLC; made the decision after her firm was purchased by a German transportation company. Zmud was Chair of the Mobility Authority's Planning Committee and played a critical role in guiding the early development of the agency. Zmud agreed to remain in the post until Travis County could name a replacement.

183A BOND DEAL OF THE SOUTHWEST

The Mobility Authority's 183A Bond Issue was recognized by *The Bond Buyer* in FY 2006 as the Southwest Deal of the Year. The Bond Issue was recognized for its innovative mix of funding that used a TIFIA loan, a TxDOT Toll Equity Grant and local Right-of-Way funding to back the $233 million Senior Lien Bond Issue.

JUNE 30, 2006 AND 2005

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, 2006. 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 $241.7 million as of June 30, 2006. The bonds are repayable over the next 40 years.
➢ Investments decreased by $95.8 million and construction in progress increased by $97 million during the year ended June 30, 2006.
➢ Total operating expenses were approximately $2.4 million and $1.3 million in 2006 and 2005, respectively. The 84% increase in total expenses when compared to 2005 is due to the increase in operations in preparation for the completion of the construction of US183A Turnpike Project.
➢ Total construction in progress was approximately $144.8 million, $47.8 million and $5.2 million as of June 30, 2006, 2005 and 2004, 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.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The Authority's total net assets were approximately $62.3 million, $64.5 million, and $5.6 million as of June 30, 2006, 2005, and 2004, respectively (See Table A-1). In 2006, total assets increased 1% to $324.3 million and total liabilities increased 2% to $261.8 million resulting in a decrease of 3% in total net assets. This decrease in total net assets is primarily the result of administrative and professional costs associated with operating the Authority while constructing the US 183-A Turnpike Project.

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

	2006	2005	2004
Current assets	$7,284	$ 13,618	$ 2,068
Restricted assets	161,009	248,127	300
Capital assets	145,030	47,865	5,199
Bond issuance cost	11,002	12,378	–
Total assets	$324,325	$321,988	$7,567
Total liabilities	$261,753	$257,489	$1,945
Net assets:			
Invested in capital assets	$237	$72	$5,198
Restricted for other purposes	55,051	50,809	300
Unrestricted	7,284	13,618	124
Total net assets	$62,572	$64,499	$5,622

Changes in Net Assets

Change in net assets as of June 30, 2006 and 2005 were approximately ($1.9) million and $58.9 million, respectively, a 3% decrease and 1,047% increase from June 30, 2005 and 2004, respectively. The Authority's total revenues were $490,000 a decrease of 99% from 2005, and total expenses were $2.4 million, an increase of 87% over 2005. See Table A-2.

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

	2006	2005	2004
Revenues:			
Grants and contributions	$ –	$59,378	$5,923
Other revenue	490	792	120
Total revenues	490	60,170	6,043
Expenses:			
Administration	2,039	730	179
Professional services	378	563	374
Total expenses	2,417	1,293	553
Change in net assets	(1,927)	58,877	5,490
Total net assets, beginning of the year	64,499	5,622	132
Total net assets, end of the year	$ 62,572	$64,499	$ 5,622

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006 and 2005, and 2004, the Authority had invested approximately $144.8 million, $47.8 million and $5.2 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 acquired $269,000 of property and equipment during the year ending June 30, 2006. 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)*

	2006	2005	2004
Property and equipment	$ 359	$90	$ –
Accumulated depreciation	(86)	(18)	–
Construction work in progress	144,757	47,793	5,199
Net capital assets	$145,030	$47,865	$ 5,199

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, 2006, the Authority had total bonded debt outstanding of approximately $242 million. See Table A-4.

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

	2006	2005	2004
Series 2005 Obligations			
Subordinated Lien Revenue Bond			
Anticipation Notes	$ 68,189	$ 69,568	$ –
Convertible Capital Appreciation Bonds	16,333	16,333	–
Current Interest Bonds	157,183	157,314	–
Net bond debt outstanding	$241,705	$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, 301 Congress Avenue, Suite 650, Austin, TX 78701.

INDEPENDENT AUDITORS' REPORT

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, 2006 and 2005, 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, 2006 and 2005, 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.

As described in Note 2, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures,* in 2006.

The Management's Discussion and Analysis on pages 1 through 4 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.

HENLIN, DONOVAN, TRUBEE AND WILKINSON, LLP

Henlin, Donovan, Trubee + Wilkinson, LLP

August 11, 2006

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Statements of Net Assets

June 30, 2006 and 2005

	2006	2005
Assets:		
Current assets:		
Cash and cash equivalents (note 2)	$ (83,546)	$ 273,386
Investments (note 2)	7,246,752	12,302,431
Accounts receivable	1,362	1,025,722
Accrued interest receivable	97,382	10,182
Prepaid expenses and other assets	21,978	6,489
Total current assets	7,283,928	13,618,210
Restricted assets:		
Cash and cash equivalents (note 2)	8,005,327	4,398,926
Investments (note 2)	153,003,900	243,728,228
Total restricted assets	161,009,227	248,127,154
Property and equipment, net (note 3)	273,400	71,566
Construction work in progress (note 3)	144,756,951	47,792,810
Bond issuance costs, net	11,001,840	12,378,232
Total assets	$ 324,325,346	$ 321,987,972
Liabilities:		
Current liabilities:		
Accounts payable	$ 8,019,805	$ 9,559,598
Accrued interest payable	5,743,222	4,474,792
Accrued expenses	24,849	2,104
Total current liabilities	13,787,876	14,036,494
Noncurrent liabilities:		
Bonds payable (note 4)	241,704,749	243,215,218
Accumulated accretion on capital appreciation bonds (note 4)	602,653	237,240
Retainage payable	5,657,713	–
Total liabilities	261,752,991	257,488,952
Net assets:		
Invested in capital assets, net of related debt	237,400	71,566
Restricted for other purposes	55,051,027	50,809,244
Unrestricted	7,283,928	13,618,210
Total net assets	62,572,355	64,499,020
Total liabilities and net assets	$ 324,325,346	$ 321,987,972

See accompanying notes to financial statements

Statements of Revenues, Expenses, and Changes in Net Assets

Years Ended June 30, 2006 and 2005

	2006	2005
Operating revenues		
Grants	$ –	$ 59,377,751
Contributions	–	100
Other	32,725	–
Total operating revenues	32,725	59,377,851
Operating expenses		
Salaries and wages	1,246,567	362,623
Other contractual services	508,715	181,307
Professional services	377,675	492,761
General and administrative	284,222	79,418
Total operating expenses	2,417,179	1,116,109
Total operating income (loss)	(2,384,454)	58,261,742
Nonoperating revenues (expenses)		
Interest income,		
net of interest capitalized, (note 3)	457,789	791,613
Interest expense,		
net of interest capitalized, (note 3)	–	(177,083)
Total nonoperating revenues (expenses)	457,789	614,530
Change in net assets	(1,926,665)	58,876,272
Total net assets at beginning of the year	64,499,020	5,622,748
Total net assets at end of the year	$ 62,572,355	$ 64,499,020

See accompanying notes to financial statements

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
Statements of Cash Flow
Years Ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from Department of Transportation	$ 1,020,332	$ 60,167,426
Receipts from county contributions	–	100
Receipts from other fees	32,165	102,783
Receipts from interest income	457,789	688,830
Receipts from other sources	188,072	–
Payments to vendors	(765,346)	(424,423)
Payments to professionals	(378,477)	(395,825)
Payments to employees	(1,158,003)	(337,399)
Net cash flows provided by (used in) operating activities	(603,468)	59,801,492
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	154,249	243,215,218
Payment of bond issuance costs	–	(12,378,232)
Acquisitions of property and equipment	(269,846)	(90,277)
Acquisitions of construction in progress	(92,022,837)	(30,243,589)
Net cash flows (used in) provided by capital and related financing activities	(92,138,434)	200,503,120
Cash flows from investing activities:		
Purchase of investments	(30,028,970)	(283,931,246)
Proceeds from sale or maturity of investments	126,020,341	25,659,582
Proceeds from interest income	–	2,241,005
Net cash flows provided by (used in) investing activities	95,991,371	(256,030,659)
Net increase in cash and cash equivalents	3,249,469	4,273,953
Cash and cash equivalents at beginning of year	4,672,312	398,359
Cash and cash equivalents at end of year (including $8,005,327 for 2006 and $4,398,296 for 2005 reported in restricted assets)	$ 7,921,781	$ 4,672,312
Reconciliation of operating income to net cash provided by operating activities:		
Change in net assets	$ (1,926,665)	$ 58,876,272
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	67,812	18,711
Changes in assets and liabilities:		
Decrease in accounts receivable	1,024,360	943,791
Increase in prepaid expenses and other assets	(15,489)	(5,590)
Increase (decrease) in accounts payable	223,769	(3,685)
Increase in accrued expenses	22,745	(28,007)
Total adjustments	1,323,197	925,220
Net cash flows provided by non-operating activities	$ (603,468)	$ 59,801,492

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 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.

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

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, 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, 2006 and 2005 relate to construction-in-progress and depreciation will not begin until construction is complete and the assets are placed in service. During fiscal years 2006 and 2005, 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. 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.

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

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 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 seven year period. In the year ended June 30, 2006, the Authority amortized $1,372,620 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.

M. Reclassifications – Certain 2005 financial statement elements have been reclassified in order to be consistent with 2006 classifications.

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, 2006 and 2005 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 2006.

Summary of Investments by Type	2006	2005
JP Morgan Chase & Co.		
Guaranteed Investment Contracts	$ 112,820,230	$ 203,728,126
TexSTAR Investment Pool	29,177,759	47,337,347
U.S. Agency securities:		
Federal Home Loan Bank	8,442,838	4,965,186
Federal Home Loan Mortgage Corporation	7,776,986	–
Federal Farm Credit Bank	2,032,839	–
Total investments	$160,250,652	$256,030,659
Unrestricted investments	$7,246,752	$12,302,431
Restricted investments	153,003,900	243,728,228
Total investments	$160,250,652	$256,030,659
Interest income	$10,476,108	$3,760,844
Less: interest income capitalized	10,018,319	3,072,014
Total investment income	$457,789	$688,830

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, 2006, the carrying amount of the Authority's cash and cash equivalents was $7,921,781. The bank balance was $27,858 as of June 30, 2006. 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. We noted the Authority was fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended June 30, 2006.

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, 2006, the following was the composition of the Authority's portfolio:

JP Morgan Chase & Co. Guaranteed Investment Contracts	70.4%
TexSTAR Investment Pool	18.2%
United States Government securities	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 twelve 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, 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. Agencysecurities:			
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

The weighted average maturity of the TexSTAR Investment Pool at June 30, 2006 was 14 days.

2. Cash and Investments (continued)

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 whom 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 2006.

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2006 and 2005:

	2005	Additions	Retirement	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

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

		2005		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

	2004	Additions	Retirement	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
Total construction in progress	$ 5,198,707	42,594,103	–	47,792,810

Depreciation expense for the years ended June 30, 2006 and 2005 was $66,806 and $18,711, respectively.

The Authority has entered into construction contracts for the construction of the US-183A Turnpike Project, and is expected to be substantially complete in March 2007. The total budget for the construction of the US-183A Turnpike Project is $224.7 million, of which $144.7 million has been incurred.

Capitalized interest consists of the following as of June 30, 2006 and 2005:

	2006	2005
Interest accrued on bonds	$ 16,013,333	$4,712,032
Less: interest on bond-general fund	–	(177,083)
Less: bond premium amortization	(2,121,069)	(610,600)
Plus: bond issuance cost amortization	1,928,529	555,908
Interest expense capitalized	15,820, 793	4,480,257
Less: interest earned on bond proceeds invested	(10,018,319)	(3,072,014)
Less: investment bond discount	(102,288)	(6,080)
	$ 5,700,186	$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, 2006.

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, 2006, 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) 10% 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	$2,188,969	$68,188,969
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	124,540	1,619,540
Current Interest Serial Bonds	2013	5.00%	2,720,000	237,410	2,957,410
Current Interest Serial Bonds	2014	3.50%	3,100,000	(16,230)	3,083,770
Current Interest Serial Bonds	2022	5.00%	3,260,000	227,111	3,487,111
Current Interest Serial Bonds	2023	5.00%	3,115,000	208,204	3,323,204
Current Interest Serial Bonds	2024	5.00%	2,995,000	189,209	3,184,209
Current Interest Term Bonds	2025	4.50%	2,950,000	(20,572)	2,929,428
Current Interest Term Bonds	2026	4.50%	4,235,000	(29,631)	4,205,369
Current Interest Term Bonds	2027	4.50%	4,280,000	(30,036)	4,249,964
Current Interest Term Bonds	2028	4.50%	3,815,000	(26,844)	3,788,156
Current Interest Term Bonds	2029	4.50%	3,870,000	(27,297)	3,842,703
Current Interest Term Bonds	2030	5.00%	3,930,000	180,739	4,110,739
Current Interest Term Bonds	2031	5.00%	5,200,000	239,637	5,439,637
Current Interest Term Bonds	2032	5.00%	5,250,000	242,395	5,492,395
Current Interest Term Bonds	2033	5.00%	5,315,000	245,819	5,560,819
Current Interest Term Bonds	2034	5.00%	5,395,000	251,754	5,646,754
Current Interest Term Bonds	2035	5.00%	5,490,000	254,683	5,744,683
Current Interest Term Bonds	2036	5.00%	7,170,000	276,203	7,446,203
Current Interest Term Bonds	2037	5.00%	7,320,000	282,329	7,602,329
Current Interest Term Bonds	2038	5.00%	7,485,000	289,023	7,774,023
Current Interest Term Bonds	2039	5.00%	7,670,000	296,482	7,966,482
Current Interest Term Bonds	2040	5.00%	7,875,000	304,706	8,179,706
Current Interest Term Bonds	2041	5.00%	9,000,000	348,554	9,348,554
Current Interest Term Bonds	2042	5.00%	9,245,000	358,350	9,603,350
Current Interest Term Bonds	2043	5.00%	9,520,000	369,303	9,889,303
Current Interest Term Bonds	2044	5.00%	9,810,000	380,836	10,190,836
Current Interest Term Bonds	2045	5.00%	10,125,000	391,492	10,516,492
Total Current Interest Bonds			151,635,000	5,548,169	157,183,169
Total Series 2005 Senior Lien Revenue Bonds			167,967,611	5,548,169	173,515,780
Total Series 2005 Obligations			$233,967,611	$7,737,138	$241,704,749

4. Bonds Payable (continued)

The amount of accumulated accreted interest on the Series 2005 Convertible CABs as of June 30, 2006 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	Accumulated Accretion	Total
Convertible Capital Appreciation Bonds	2015	4.20%	$1,593,394	$55,968	$1,649,362
Convertible Capital Appreciation Bonds	2016	4.25%	$3,124,749	$111,076	$3,235,825
Convertible Capital Appreciation Bonds	2017	4.35%	$2,738,819	$99.660	$2,838,479
Convertible Capital Appreciation Bonds	2018	4.45%	$2,423,743	$90,240	$2,513,983
Convertible Capital Appreciation Bonds	2019	4.50%	$2,177,004	$81,972	$2,258,976
Convertible Capital Appreciation Bonds	2020	4.55%	$1,969,370	$74,978	$2,044,348
Convertible Capital Appreciation Bonds	2021	4.60%	$2,305,532	$88,759	$2,394,291
Total Convertible Capital Appreciation Bonds			$16,332,611	$602,653	$16,935,264

Future payments of principal and interest on the Series 2005 Obligations (based on the scheduled payments) as of June 30, 2006 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Amount
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	–	7,439,500	7,439,500
2012 and thereafter	167,967,611	192,371,247	360,338,858
	$233,967,611	236,168,747	$470,136,357

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, 2006.

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 2006 and 2005.

The Authority's primary construction project, the US 183-A Turnpike Project, is insured by the contractor until the project is completed and accepted in March, 2007.

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 2006 and 2005, 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 $113,416 and $36,800 for 2006 and 2005, respectively.

8. Disaggregation of Receivable and Payable Balances

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2006 and 2005. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2006 and 2005.

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 $29,177,759 in TexSTAR as of June 30, 2006.

10. Commitments and Contingent Liabilities

The Authority has entered into engineering, construction, and other contracts for the construction of the US 183-A Turnpike Project with a remaining commitment of approximately $61 million. The total budget for the construction of the US 183-A Turnpike Project is $224.7 million of which $113.3 million has been incurred. The project is expected to be substantially complete in March 2007.

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

2007	$ 112,455
2008	112,455
2009	112,455
2010	114,294
2011	123,489
Thereafter	102,907
	$ 678,655

Coinciding with the office space lease noted above, the Authority entered into a seven-year sublease agreement with a third party for a portion of the 301 Congress Avenue space. The total of the minimum rentals to be received from this sublease is $370,579.

The Authority's total rental expense for fiscal year 2006 was $53,301.

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