CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Driving INNOVATION

2008 Annual Report

Introduction

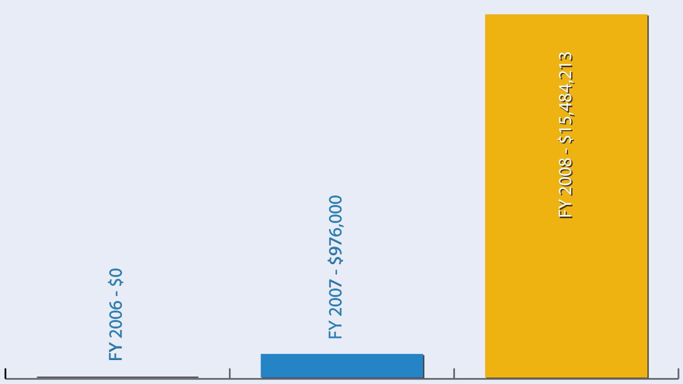
The Central Texas Regional Mobility Authority is driving innovation, and in this 2008 Annual Report, you will discover how the Mobility Authority is building on the past while pushing the boundaries of tomorrow with innovative project development techniques and concepts like all-electronic tolling and managed lanes.

183A Performance Snapshot

2007 2008

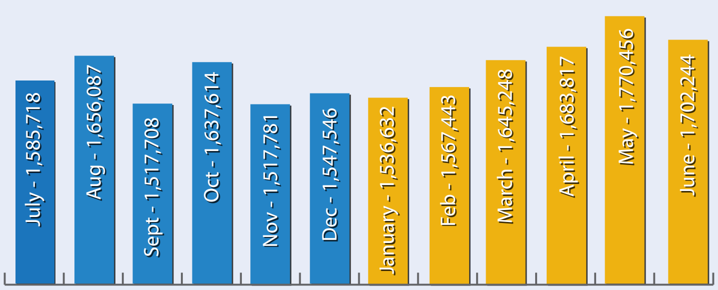
The Mobility Authority collected $15.5 million on 183A in FY 2008. 183A was only open for a couple of months in FY 2007, and promotional discounts were being offered at the time. As a result, revenue for FY 2008 is significantly higher than FY 2007.

183A Toll Revenue by Year



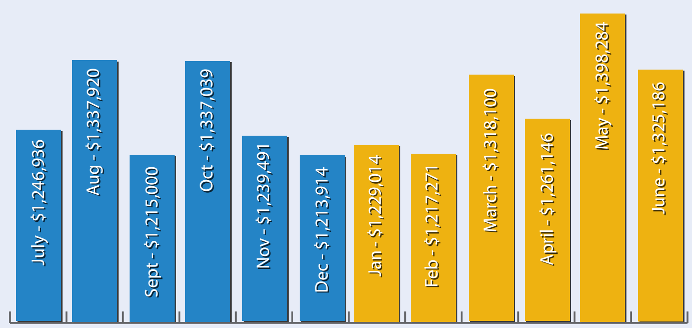
The number of revenue transactions on 183A grew steadily in fiscal year 2008. Revenue traffic was at its highest point in May 2008.

FY 2008 Transactions by Month



During FY 2008 monthly toll revenue on 183A increased to more than $1.3 million per month.

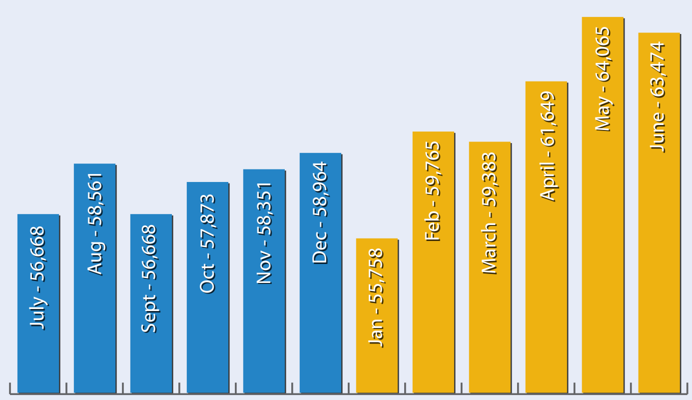
FY 2008 Toll Revenue by Month*



*The Mobility Authority received an additional $144,913 in toll revenue as part of an audit adjustment.

Weekday traffic began FY 2008 around 56,000 vehicles a day and grew to more than 64,000 a day by May of FY 2008. By December FY 2009, traffic had grown to over 65,000 a weekday.

FY 2008 Average Weekday Traffic by Month



"You can't use an old map to see a new land."

Gary Hamel

Letter from the Chairman

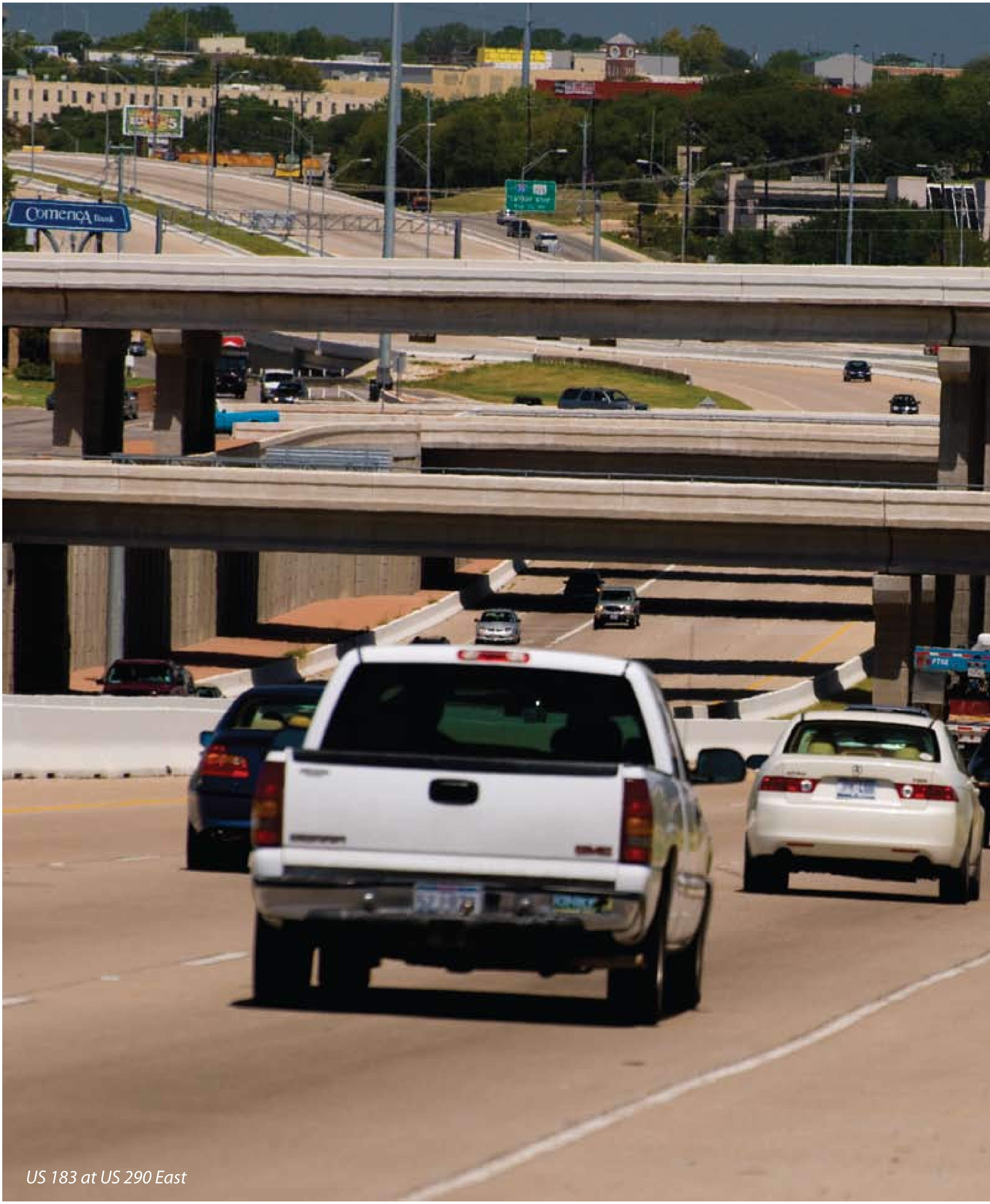
It is my pleasure to report that the dream of greater mobility is alive and well in Central Texas. While much of the country struggled with skyrocketing oil prices and falling home values this year, the Central Texas Regional Mobility Authority is weathering the economic storm. As gas prices shot upward, traffic on 183A grew steadily during the fiscal year, from 56,668 average weekday traffic in July 2007 to 63,474 average weekday transactions in June 2008. Overall traffic was double original projections leading to opening year revenue of $15.5 million, an amount we were not projected to reach until at least fiscal year 2010.

With a strong and consistent revenue stream established, the Mobility Authority took confident steps in FY 2008 toward furthering our mission of bringing enhanced Mobility to the Central Texas region. The first step came in October 2007, when the Capital Area Metropolitan Planning Organization approved an estimated $1.5 billion network of new tolled expressways, including 290 East (Manor Expressway). Still, financing the plan became a significant challenge as federal and state funding continued to shrink.

In response, the Mobility Authority launched a major procurement process aimed at finding a private sector firm capable of developing the financial package necessary to keep the regional transportation program on track. Eleven firms expressed interest, and ultimately, JP Morgan Securities was selected in April 2008. With the finance team in place and final design work set to begin on the Manor Expressway, we hope to begin construction on that project in early 2010.

While 2008 was a good year for the Mobility Authority, we recognized the financial turmoil surrounding us. The agency has continued its conservative operational approach by keeping costs down and our staff lean and efficient. As we face a future that is more uncertain than ever, the Mobility Authority remains in a solid position to take on the challenges that lie ahead.

Robert Tesch
Chairman



US 183 at US 290 East

History of Road Financing in America

During the 18th and 19th century, most major transportation corridors in the United States were privately built toll roads known as turnpikes. The proliferation of the automobile in the early 20th century led to demand for new and better roads, especially high speed expressways. The federal government's role in transportation funding was still limited, so states took the lead in funding major highway projects. Most states created Turnpike Authorities or other quasi-public agencies to issue toll revenue bonds to fund these toll projects.

During the 1950's, a tremendous number of new toll roads were built across the country, but the tolling boom was short-lived following approval of the National System of Interstate and Defense Highways, which was funded by a national gas tax. In the 1980's, increasing maintenance costs, tightening budgets and the phasing out of funding for new interstate highway construction led to the development of new toll roads in fast growing states such as Florida, Colorado, California and Texas. During the 1990's, most new toll roads in Texas were built in Houston and Dallas. In 2001, tolling in Texas expanded with passage of legislation authorizing the creation of Regional Mobility Authorities.

> *"It isn't that they can't see the solution. It is that they can't see the problem."*
>
> G.K. Chesterton

Success in the Face of Harsh Realities

The reality of our nation's transportation funding crisis really hit home over the past year. Funding cuts at the federal and state level caused the development of new road projects in Central Texas to come into question. A number of pending road projects were delayed indefinitely, design work on new projects was halted and engineering firms began laying off employees.

While fiscal year 2008 was painful, the future is even bleaker for projects funded by the gas tax. With people driving less and buying more fuel efficient cars, a projected funding deficit is expected to grow even wider in coming years. The financial crisis comes as the need to fix our aging infrastructure grows, and high prices drive up the cost of repairs, leaving even less money for new roads.

We've known for years that the gas tax's ability to adequately fund transportation projects was an issue. Traffic congestion was one of the early symptoms of the problem. Fortunately, visionary leaders in Central Texas saw the storm on the horizon and began taking the difficult steps necessary to address the funding crisis. Today, we have a network of toll roads that is allowing our community to flourish, providing a financial backbone that will keep us competitive in the new global economy.

The challenge now is building on that success. With traditional funding sources drying up there will be even greater pressure on the Mobility Authority to fund badly needed projects. As we seek to fill a multi-billion dollar regional funding gap, we will have to implement new and creative methods to control project costs and maximize available revenue. In an effort to begin finding solutions, the Texas Transportation Commission, under the new leadership of Chair Deirdre Delisi, formed a 2030 Committee to examine the state's transportation needs over the next 20 years. The report is due December 2008.

The good news is we are already taking steps in that direction, putting people back to work designing our next wave of projects including the Manor Expressway and an extension of 183A and exploring new ways to move people using concepts like managed lanes.

Wildflowers along 183A

"Going forward, we in this country will have to rethink the way we fund transportation. The gas tax alone can no longer carry the entire burden. Many experts favor some type of user fee to augment more traditional sources of financing of both roadway construction and maintenance."

Lowell H. Lebermann, Jr.
Vice Chairman

History of Electronic Tolling

Electronic toll collection technology dates back to the 1970's when an early General Electric device called the Dezignator was tested on the Golden Gate Bridge. The device was the size of a brick and cost $1,000. Over the years, various radio frequency devices were developed by different companies, many of them with military applications.

A leader in transitioning this technology to the world of tolling was a company called Amtech. Founded in Albuquerque, New Mexico, the firm first used radio frequency identification technology to help railroads keep track of their railcars. Then in 1988, the company visited with the Texas Turnpike Authority and proposed a deal to install

183A south of Brushy Creek Road

an electronic toll system on the North Dallas Tollway. An agreement was reached, and the Dallas TollTag was born.

The concept proved highly successful, and the technology quickly moved to toll roads in Oklahoma and Louisiana before expanding nationwide. Compared to the current TxTag sticker, the original toll tags were plastic boxes about the size of a man's wallet. Today, electronic tolling is standard practice on practically every toll road in the United States, and many toll roads including 183A are now evolving toward completely cashless toll collection.

"Since our formation in January 2003, the Mobility Authority has charted a visionary path, hiring a staff of creative individuals committed to the ideals of public service, but with the sensibilities of private enterprise. Today, we see this small group of talented individuals pushing the boundaries of our industry in a calculated and methodical effort to improve efficiency and maximize our community's return on investment."

Robert L. Bennett, Jr.
Treasurer

183A Mainline Plaza

> *"I can't understand why people are frightened of new ideas. I'm frightened of old ones."*
>
> John Cage

Drivers Pour onto 183A in First Year

In its first full year of operation, the 183A toll road has proven hugely successful. An aggressive public communication campaign led to impressive traffic volumes and incredible levels of TxTag sticker usage. By the end of Fiscal Year 2008, average weekday transactions on 183A were around 63,474; 88% higher than the 33,696 transactions per weekday that had been projected. TxTag sticker usage hovered around 80% most of the year.

The unique, all-electronic Lakeline toll gantries at the southern end of 183A created both an opportunity and a challenge for the Mobility Authority. Since many drivers were not used to the concept of cashless tolling, the Mobility Authority had to take a creative approach in addressing violations. Throughout FY 2008, the Mobility Authority used a customer friendly violation enforcement program to educate drivers and reduce violations. The unique program helped introduce customers to the concept of cashless tolling and drove significant TxTag sticker usage on 183A. The program set the stage for the Mobility Authority's eventual adoption of video billing and cashless toll collection.

Video Billing Drives Efficiency on 183A

In Central Texas, video billing is being marketed as Pay-By-Mail. Under the process, drivers who do not have a TxTag sticker are sent a bill in the mail. Drivers who do not pay the bill are sent a violation notice and can be charged with a misdemeanor. The Mobility Authority began offering Pay-By-Mail in May of 2008. The program was outsourced to Municipal Services Bureau (MSB), an experienced billing and collection firm headquartered in Austin.

The Pay-By-Mail program is revenue neutral with all costs being covered by the fees charged to drivers who use the service and the fines assessed to vehicle owners who do not pay their bills in a timely manner. Less than 15% of toll transactions on 183A are currently handled through the Pay-By-Mail program.

Cashless Tolling Set to Debut on 183A

The adoption of Pay-By-Mail set the stage for the Mobility Authority's next big move into the world of cashless tolling. A review of operating costs and an analysis by traffic and revenue consultant Stantec determined that with the high TxTag sticker usage rates on 183A, the Mobility Authority could reduce operating costs and possibly increase revenue by eliminating cash toll plazas altogether. The transition to cashless tolling will remove toll plaza delays, improve safety and reduce vehicle emissions. The Mobility Authority Board studied the concept, and at their June 2008 meeting, voted to adopt a cashless tolling policy. The transition to cashless tolling will take place December 1, 2008. All future toll roads will also follow this policy.

Intersection of US 290 East and SH 130

Story of the Gas Tax

The growth of automobile travel in the early 20th century led to the creation of gas taxes to fund roadway projects. States moved first to adopt gas taxes, and the State of Texas instituted a one cent gas tax for the first time in 1923. The first national gas tax was implemented in 1932 and was also one cent. At that time, there were very few paved roads to maintain, so most of the money went to new construction. Today, there are more than 4 million miles of roadways in the United States, with 305,000 of those miles in Texas.

To maintain those roads, build new ones and keep up with inflation, the gas tax has been increased over the years. The state gas tax in Texas is now 20 cents per gallon, having last been raised in 1992. The federal gas tax was last increased in 1993 and is currently 18.4 cents per gallon. At the same time, the gas tax has been increasingly used to fund things other than highways. For example, 15% of the federal gas tax is used to fund public transit. In Texas, 25% of the state gas tax is constitutionally dedicated to funding schools.

With people driving fewer miles and buying more fuel efficient cars, the deficit in transportation funding is expected to grow significantly in coming years. Some experts believe raising the gas tax at a time when the consumption of gas is declining would simply delay tough decisions about the future of transportation funding in the United States.

> *"I cannot help fearing that men may reach a point where they look on every new theory as a danger, every innovation as a toilsome trouble, every social advance as a first step toward revolution, and that they may absolutely refuse to move at all."*

Alexis de Tocqueville

On the Way to Addressing the Transportation Crisis

A major accomplishment for Central Texas occurred in October 2007 when the Capital Area Metropolitan Planning Organization voted to approve the construction of five new expressways to relieve traffic along some of the most congested roads in Central Texas.

Two of the projects, SH 71 (Bastrop Expressway) and US 183 (Bergstrom Expressway) are major feeder routes to Austin-Bergstrom International Airport, a major economic center in the region. SH 71 is also a key corridor serving the Austin suburbs, eastern Travis and Bastrop counties. A third project, US 290/SH 71 (Oak Hill Expressway) provides needed long term relief to the growing southwest portion of Travis County. In southwest Austin, SH 45 (Manchaca Expressway) is a gateway to Hays County, providing residents there with an alternative route into Austin. Finally, US 290 (Manor Expressway) will provide a key connection between the SH 130 toll road and downtown Austin and will continue to serve as an emergency evacuation route for Gulf Coast residents.

All of these projects involve building new, limited-access expressways in expanded medians of existing arterial highways that are littered with traffic signals and snarled with rush hour traffic. Originally projected to cost $2.5 billion, the projects had to be scaled down as CAMPO and the Mobility Authority struggled with funding limitations and the pressures of rapid inflation. When approved in October 2007, the projects had been revised to a projected cost of $1.5 billion. Since then, the cost has continued to creep up with fluctuating oil prices and inflationary pressures on construction costs.

Shortly after approval of the projects, the Mobility Authority was notified that more than $500 million in gap funding originally programmed by TxDOT would be unavailable. Since all of the projects involve maintaining the existing arterials as free parallel highways, the loss of TxDOT gap funding created an even greater challenge for the Mobility Authority. To address the funding shortfall, the Mobility Authority began looking at options to attract private sector funding from non-traditional sources such as pension plans and infrastructure funds.

Ultimately, the Mobility Authority went through a procurement process and selected JP Morgan Securities to help find the necessary investors for the region's projects. The current funding plan calls for a mix of traditional toll revenue bonds, loans from the federal Transportation Infrastructure Finance and Innovation Act program and subordinated debt. As each project moves toward construction, the Mobility Authority will be working with JP Morgan to put together a specific funding package.

"One of the greatest challenges facing transportation agencies today is funding the expansion of congested highways in urban areas where land is very expensive and alternative routes are limited. While tolling is an obvious solution, the concept has proven controversial. As a result, transportation agencies in many communities have simply thrown their hands up and walked away in frustration. That almost happened here too, but thanks to the willingness of our local leaders to take a stand on the issue, we are now on the road to improving mobility on some of our community's most congested highways, while providing a choice to those not wishing to drive on toll roads."

Henry H. Gilmore

Traffic on US 290 East

Aaron Autry, PBS&J, answers questions at Manor Expressway Open House

The Growing Emphasis on Public Interaction

It was not uncommon in the past for transportation projects to be constructed in economically disadvantaged neighborhoods, where land was less expensive and residents were less likely to protest. Today, a concept called Environmental Justice, ensures disadvantaged neighborhoods are protected and have an equal voice. The concept has its roots in the 1964 Civil Rights Act, which required that all persons be protected from discrimination in the application

of federally funded programs and projects. Over the years, additional legislation strengthened the rights of disadvantaged groups. Today, the U.S. Department of Transportation requires that all federally funded projects avoid disproportionate impacts on low-income and minority groups. Above all, transportation agencies are required to ensure all citizens have equal opportunity to access information about a proposed transportation project and have an equal opportunity to submit comments about it. Where a disproportionate impact is determined to exist, the transportation agency is then required to develop a plan to mitigate the impact, if practical.

> *"We are continually faced by great opportunities brilliantly disguised as insoluble problems."*
>
> Lee Iacocca

Manor Expressway on the Road to Completion

Just a few years ago, improvements to US 290 East (Manor Expressway) weren't even on the local radar screen. However, with the completion of the SH 130 toll road and the proliferation of high-tech employers along the corridor, local leaders began to realize how critical the roadway was to the economic growth of the region. As a result, in 2004 the project was placed on the fast track, and TxDOT handed responsibility for developing the Manor Expressway over to the Mobility Authority.

Since then, the Mobility Authority has been conducting a Traffic and Revenue Study and developed a schematic design. During Fiscal Year 2008, the Mobility Authority moved one step closer to construction by procuring several engineering firms to complete the final design of the project. In another attempt to expedite the development of the project, the Mobility Authority choose to procure three prime engineering firms to work concurrently and design the project in the shortest time possible.

In the coming year, final agreements are expected to be reached with TxDOT and the Capital Area Metropolitan Planning Organization regarding toll rates for the project, and final environmental approvals are anticipated. If these efforts remain on schedule, construction on the Manor Expressway could begin as early as January 2010 with completion expected in 2013.

"We are sensitive to the unique challenges of this area and are taking proactive steps to make sure our projects are beneficial not just to commuters but also to the residents who live near our roads. Besides creating jobs and improving mobility in these communities, the US 290 East project will incorporate context sensitive design features adopted through community input that will help beautify this area of town. At the same time, we are developing special toll payment options to accommodate customers who may not use banks or have access to credit cards and computers. We are also looking at ways to increase transportation options for residents who live along our corridors."

Nikelle Meade
Board Member


290
Bluebonnet
Pkwy
EXIT 1/4 MILE












183
290

183A Field Operations Building

The Development of Regional Mobility Authorities

The concept of an independent, quasi-public government agency like the Central Texas Regional Mobility Authority has its origins in the early 20th century. One of the first such agencies to be created was the Pennsylvania Turnpike Commission, which was formed in 1937 to finance, construct and operate the Pennsylvania Turnpike. In the years that followed, many other states adopted a similar approach, creating agencies like the Maine Turnpike Authority, Ohio Turnpike Commission, New Jersey Highway Authority and the New York State Thruway Authority. As automobiles proliferated, privately run companies that had traditionally operated city buses, streetcars and trains found it hard to stay in business. Soon, communities began forming organizations similar to the early toll agencies to take over local transit services. Such was the case in 1953 when the New York City Transit Authority was created. In most places, toll agencies and transit authorities have remained separate entities. In 2001, the Texas Legislature decided to empower local communities to form independent transportation agencies with the flexibility to provide all modes of transportation. In 2002, Williamson County and Travis County took advantage of the legislation and agreed to form the Central Texas Regional Mobility Authority. While the Mobility Authority has the authority to provide transit services, the Capital Metropolitan Transportation Authority already operates transit in Central Texas, and to date, the Mobility Authority's emphasis has been on enhancing the community's highway system and pedestrian facilities.

"Since its formation, the Mobility Authority has proven to be a different kind of public agency, one that is nimble and easily adaptable to a rapidly changing and unpredictable environment. Our Board is always open to new ideas, and we have built a small dynamic staff that loves a challenge. That culture is reflected by our speed of evolution. In just five years, we have completed our first roadway, announced plans to extend it, begun work on a second project and become one of the first agencies in the country to transition to cashless toll collection. We feel we have a program in place that is well prepared for any unexpected detours that might appear."

James H. Mills
Board Member

183A frontage roads

"You have to have a plan in place, but not one so rigid that you don't take detours. The A-ha's are in the detours."

Terry Eggar

On the Fast Track with 183A Expansion

When financing for the 183A toll road was being assembled in 2004, the belief was that the number of people willing to use the new toll road would only be sufficient to fund a 4.5 mile section between RM 620 and RM 1431. As a result, the Mobility Authority scaled back the project and decided to construct a less expensive frontage road system on the north end of the project between RM 1431 and the South San Gabriel River. It turns out the predictions did not reflect reality. Actual traffic volume on 183A is double the original projections, and traffic on the frontage road system is significant.

With more traffic than expected using the northern frontage roads, congestion has been a problem at some of the signalized intersections. In response, the Mobility Authority has decided to expedite the extension of the 183A toll road north to RM 2243. The extension will also allow the Mobility Authority to reconsider the tolling plan for 183A, possibly reducing the toll rate at the Park Street Main Plaza. The result would be lower toll rates for drivers who make shorter trips on the toll road.

The Mobility Authority is in the process of procuring firms to complete the final design work for the 183A extension. If all goes well, the extension could be under construction by 2010.

The Evolution of Managed Lanes

The concept of charging tolls by time of day based on the volume of traffic was first proposed by William Vickery, a Nobel prize winning economist. Vickery believed that all things should be priced based on supply and demand, including transportation. In 1952, he suggested that fares on the New York subway system should be raised during peak hours and lowered in off-peak hours. He later made the same argument for highways claiming such pricing would reduce congestion, air pollution and energy use.

The idea of paying more at peak hours was viewed as a tax increase by many, and for decades, Vickery's ideas were dismissed. Today, Vickery is hailed as the father of congestion pricing, and his ideas have been successfully put into practice around the world. The concept was first tried in Singapore in 1975 to manage vehicle traffic in the downtown business center. That idea, now dubbed Cordon Pricing, has since been implemented in Stockholm, Sweden and London, England. A similar plan for New York City was rejected by the New York State legislature last

Loop 1 at Lady Bird Lake

year. However, the idea of congestion pricing is taking hold in the United States. The New Jersey Turnpike introduced the concept in 2000. Still today, managed lanes are the primary place where the concept is utilized. The SR 91 project outside Los Angeles was the first, and there are now managed lanes with congestion pricing in San Diego, Minneapolis, Seattle, Salt Lake City, Denver, Miami, Houston and Dallas to name a few. Even the Capital Beltway in Washington D.C. is slated to implement managed lanes in the form of a private concession.

> *"New ideas come into this world somewhat like falling meteors, with a flash and an explosion, and perhaps somebody's castle roof perforated."*
>
> Henry David Thoreau

Loop 1: A Cutting Edge Strategy for Improving Mobility

Loop 1 is among the most challenging roadway corridors in Central Texas. Hemmed in by residential and commercial development, this heavily congested corridor offers few options when it comes to improving mobility. Nearby residents are concerned about any expansion that might encroach on their property or increase roadway noise. Meanwhile, a Union Pacific rail line splits much of the corridor in half, limiting opportunities to widen the road. To date, the only alternative has been to explore the possibility of adding one additional lane into the shoulders in each direction. To provide maximum traffic flow in the new lanes and to generate money to help pay for their construction and operation, the lanes are proposed to be managed toll lanes.

As currently envisioned, the lanes would run from Lady Bird Lake in downtown Austin north to Parmer Lane. Due to the complexity of the project, the Mobility Authority is undertaking a thorough evaluation process to determine if managed lanes can work in the corridor. The Mobility Authority will be doing a traffic and revenue analysis to determine if the lanes are feasible. The agency will also be studying key design issues such as entry and exits points, lane widths, shoulder widths, lane separation issues and emergency vehicle access. Another major consideration is whether the lanes should be free to high occupancy vehicles, and if so, how the high occupancy vehicle requirement would be enforced.

The primary use of a managed lane on Loop 1 would be to use tolling as a means to manage traffic, not to generate revenue. With this in mind, the Mobility Authority has been exploring the possibility of seeking grant money from the federal government to help underwrite the cost of the project. The availability of gap funding may be one of the major factors that determine whether the Mobility Authority chooses to proceed with development of the Loop 1 managed lanes in the coming year.

"As consumers, we are accustomed to the concept of variable pricing. Movies cost more at night, airlines charge more for popular flights and the price of produce goes up when it's in short supply or out of season. Yet, when it comes to highways, we've gotten used to driving wherever we want, whenever we want at a perceived cost of zero. After decades of unfettered access to our highways, congestion has become a serious problem. Managed lanes with variable pricing offer our best hope for providing guaranteed mobility in otherwise gridlocked corridors."

David Singleton
Board Member

Union Pacific rail line and Loop 1

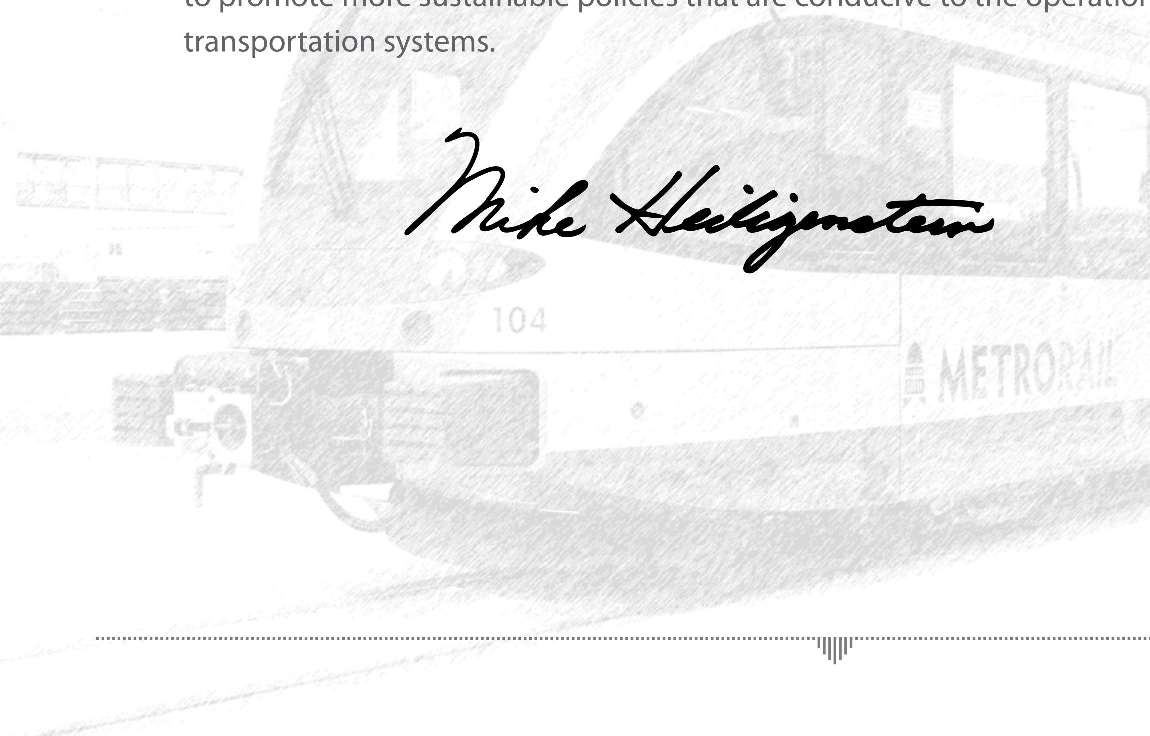
Mural at RM 1431 and 183A

Where Are We Going From Here?

If you think about it, our country has no real transportation strategy anymore. Years ago, President Dwight D. Eisenhower rallied the country around a plan to build a nationwide network of interstate highways. We essentially completed that system more than a decade ago, and since then, we haven't focused on the issue much. Today, we are living off the interstate system that our parents and grandparents paid for, a system that is increasingly congested and outdated. With no interstate program to fund new expressways, fast growing state's like Texas are struggling to balance the need for new highways with the cost to maintain the ones we've already built.

And that's just scratching the surface of the problem. There is a significant disconnect in most communities between road builders and transit agencies. At the Mobility Authority, we believe that it's time to change that. We believe it's time to chart a new vision for the future. It's a vision that requires a great degree of self reliance, using tolling as a mechanism to help support a comprehensive transportation system that includes mass transit.

The changes won't happen overnight. While we wish we could come up with all of the money necessary to fund all of the rail, buses and highways we need right now, patience will be required. The key is that we have a long term vision for a comprehensive transportation strategy. Here at the Mobility Authority that means working closely with all of our transportation partners to promote more sustainable policies that are conducive to the operation of multi-modal transportation systems.



Mike Heiligenstein

Mike Heiligenstein
Executive Director

June 30, 2008 and 2007

Financial Statements and Management Discussion and Analysis

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, 2008. 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 $173.2 million as of June 30, 2008. The bonds are repayable over the next 37 years.
- During 2008, the Authority borrowed the entire balance of the TIFIA loan, totaling $66 million. The loan is repayable over the next 34 years.
- Investments decreased by $35.3 million.
- Property and equipment, including construction in progress, increased by $6.6 million during the year ended June 30, 2008.
- Total operating expenses were approximately $26.5 million and $4.5 million in 2008 and 2007, respectively.
- Total construction in progress was approximately $9.3 million, $4.5 million and $144.8 million as of June 30, 2008, 2007 and 2006, respectively. A significant portion of construction in progress for the 183A toll road was reclassified as property and equipment during 2007. Depreciation on the toll road and related capitalized expenses was approximately $7.3 million.
- During 2007, Williamson County contributed approximately $18.4 million of right-of-way property to the Authority in accordance with several agreements signed in 2005. In 2008, the Authority returned right-of-way property to Williamson County valued at approximately $96,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The Authority's total net assets were approximately $70.7 million, $78.0 million and $62.6 million as of June 30, 2008, 2007, and 2006, respectively (See Table A-1). In 2008, total assets decreased 5% to $321.2 million, and total liabilities decreased less than 4% to $250.5 million resulting in a decrease of 9% in total net assets. The decline of $7,296 is the result of a 2008 operating deficit of $10,965, which was offset by interest income of $3,765.

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

	2008	2007	2006
Current assets	$ 5,436	$ 7,803	$ 7,284
Restricted assets	58,415	79,462	161,009
Capital assets	248,640	242,052	145,030
Bond issuance cost	8,694	9,570	11,002
Total assets	$ 321,185	$ 338,887	$ 324,325
Total liabilities	$ 250,466	$ 260,872	$ 261,753
Net assets:			
Invested in capital assets	$ 5,712	$ 230	$ 237
Restricted for other purposes	59,571	69,982	55,051
Unrestricted	5,436	7,803	7,284
Total net assets	$ 70,719	$ 78,015	$ 62,572

Changes in Net Assets

Changes in net assets as of June 30, 2008 and 2007 were approximately ($7.3) million and ($3.0) million, respectively, a 9% decrease and 55% decrease from June 30, 2007 and 2006, respectively. The Authority's total revenues were $19.3 million, an increase of 1187% from 2007, and total expenses were $26.5 million, an increase of 491% over 2007. See Table A-2.

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

	2008	2007	2006
Revenues:			
Toll revenue	$15,484	$ 976	$ -
Grants and contributions	-	-	-
Other revenue	3,812	523	490
Total revenues	19,296	1,499	490
Expenses:			
Administration	24,650	3,738	2,039
Professional services	1,847	749	378
Total expenses	26,497	4,487	2,417
Contributed capital	(95)	18,431	-
Change in net assets	(7,296)	(2,988)	(1,927)
Total net assets, beginning of the year	78,015	62,572	64,499
Total net assets, end of the year	$70,719	$78,015	$62,572

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, and 2007, and 2006, the Authority had invested approximately $9.3 million, $4.5 million and $144.8 million, respectively, in construction-in-progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal and traffic analysis fees. See Table A-3. The Authority expensed $4.7 million in construction costs during the year ended June 30, 2008.

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

	2008	2007	2006
Property and equipment	$ 9,374	$ 7,686	$ 359
Toll Road	238,045	230,573	-
Accumulated depreciation	(8,043)	(749)	(86)
Construction work in progress	9,264	4,542	144,757
Net capital assets	$ 248,640	$242,052	$145,030

Long-Term Debt

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

The proceeds from the Series 2005 Obligations were used to: i) finance a portion of the costs of planning, designing, engineering, developing and constructing the interim phase of the 183A 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 U.S. Department of Transportation agreed to lend the Authority up to $66 million (TIFIA Bond) 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 January 1, 2008, the Authority borrowed the entire balance of the $66 million TIFIA Bond to pay down the Series 2005 Subordinate Lien BANS. The maturity date of the TIFIA Bond is January 1, 2042. Interest on the TIFIA Bond accrues at an annual rate of 4.69% with interest payable each January 1 and July 1, commencing January 1, 2012.

As of June 30, 2008, the Authority had total bond debt outstanding of approximately $241 million. See Table A-4.

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

	2008	2007	2006
Series 2005 Obligations			
Subordinated Lien Revenue Bond Anticipation Notes	$ -	$ 66,746	$ 68,189
Convertible Capital Appreciation Bonds	16,332	16,333	16,333
Current Interest Bonds	156,902	157,045	157,183
TIFIA Bond	67,548	-	-
Net bond debt outstanding	$240,782	$240,124	$241,705

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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, 2008 and 2007, 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, 2008 and 2007, and the results of its operations and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 29 through 32 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

October 31, 2008

Central Texas Regional Mobility Authority
Statements of Net Assets
June 30, 2008 and 2007

	2008	2007
Assets:		
Current assets:		
Cash and cash equivalents (note 2)	$ 112,999	$ 37,602
Investments (note 2)	4,569,889	7,413,354
Due from other agencies	695,406	283,799
Accrued interest receivable	3,335	42,813
Prepaid expenses and other assets	54,869	25,702
Total current assets	5,436,498	7,803,270
Restricted assets:		
Cash and cash equivalents (note 2)	12,055,662	602,918
Investments (note 2)	46,358,867	78,859,165
Total restricted assets	58,414,529	79,462,083
Property and equipment, net (note 3)	7,463,713	7,400,236
Toll road, net (note 3)	231,912,873	230,110,106
Construction work in progress (note 3)	9,263,800	4,541,619
Bond issuance costs, net	8,693,850	9,569,525
Total assets	$ 321,185,263	$ 338,886,839
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,189,215	$ 4,709,234
Accrued interest payable	4,127,325	5,759,913
Accrued expenses	259,077	198,864
Current portion of bonds payable (note 4)	-	66,746,181
Total current liabilities	6,575,617	77,414,192
Noncurrent liabilities:		
TIFIA bond (note 4)	67,547,702	-
Bonds payable (note 4)	173,234,022	173,378,182
Accumulated accretion on capital appreciation bonds (note 4)	2,146,758	1,357,845
Retainage payable	962,228	8,721,249
Total liabilities	250,466,327	260,871,468
Net assets:		
Invested in capital assets, net of related debt	5,711,904	230,297
Restricted for other purposes	59,570,534	69,981,804
Unrestricted	5,436,498	7,803,270
Total net assets	70,718,936	78,015,371
Total liabilities and net assets	$ 321,185,263	$ 338,886,839

See accompanying notes to financial statements.

Central Texas Regional Mobility Authority

Statements of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2008 and 2007

	2008	2007
Operating revenues		
Tolls	$ 15,484,213	$ 976,175
Other	47,197	58,542
Total revenues	15,531,410	1,034,717
Operating expenses		
Salaries and wages	1,945,978	1,758,976
Other contractual services	2,486,198	705,240
Professional services	1,846,654	748,717
General and administrative	20,217,914	1,274,209
Total operating expenses	26,496,744	4,487,142
Total operating loss	(10,965,334)	(3,452,425)
Nonoperating revenues		
Interest income, net of interest capitalized, (note 2)	3,764,688	464,806
Contributed right of way	(95,789)	18,430,635
Change in net assets	(7,296,435)	15,443,016
Total net assets at beginning of the year	78,015,371	62,572,355
Total net assets at end of the year	$ 70,718,936	$ 78,015,371

See accompanying notes to financial statements.

Central Texas Regional Mobility Authority
Statements of Cash Flows
For the years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Receipts from toll fees	$ 15,072,606	$ 692,376
Receipts from other fees	43,016	58,542
Receipts from interest income	559,805	552,806
Receipts from other sources	-	182,226
Payments to vendors	(16,056,691)	(1,190,708)
Payments to professionals	1,846,654	(748,717)
Payments to employees	(1,907,447)	(1,563,263)
Net cash flows used in operating activities	(442,057)	(2,016,738)
Cash flows from capital and related financing activities:		
Acquisitions of property and equipment	(9,256,718)	(39,677)
Acquisitions of construction in progress	(14,116,847)	(79,202,979)
Payment of Series 2005 Subordinated Lien Revenue Bond Anticipation Notes	(66,000,000)	-
Proceeds from TIFIA Loan	66,000,000	-
Net cash flows used in capital and related financing activities	(23,373,565)	(79,242,656)
Cash flows from investing activities:		
Purchase of investments	(88,170,632)	(68,284,849)
Proceeds from sale or maturity of investments	123,514,395	142,262,982
Net cash flows provided by investing activities	35,343,763	73,978,133
Net increase (decrease) in cash and cash equivalents	11,528,141	(7,281,261)
Cash and cash equivalents at beginning of year	640,520	7,921,781
Cash and cash equivalents at end of year (including $12,055,662 for 2008 and $602,918 for 2007 reported in restricted assets)	$ 12,168,661	$ 640,520
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ (7,296,435)	$ (2,987,619)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,294,685	663,233
Return of right of way	95,789	-
Changes in assets and liabilities:		
Increase in prepaid expenses and other assets	(29,167)	(2,362)
Increase in non-cash revenue (due from other agencies)	(411,607)	(283,799)
Increase (decrease) in accounts payable	(155,535)	419,794
Increase in accrued expenses	60,213	174,015
Total adjustments	6,854,378	970,881
Net cash flows provided by operating activities	$ (442,057)	$ (2,016,738)
Supplemental disclosure of non-cash transactions:		
Reclassification of construction to property and equipment	$ -	$ 237,860,498
Contributed (return of) right-of-way	$ (95,789)	$ 18,430,635

See accompanying notes to financial statements.

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

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.

Central Texas Regional Mobility Authority

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

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

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 from the date of acquisition. These deposits are fully collateralized or covered by federal deposit insurance.

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

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

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

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

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

Prior to the reclassification of the construction-in-progress related to the 183A toll road to property and equipment, the majority of capitalized costs for the year ended June 30, 2008 and 2007 relate to construction-in-progress. During fiscal years 2008 and 2007, 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.

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

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

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

F. **Grants and Contracts** - Revenues include charges paid by a related party related to a sublease contract agreement. Revenues on grants and contributions including right-of-way property that is restricted to meeting the operational or capital requirements of a particular program. The Authority considers all grant and contributions to be 100% collectible.

G. **Investments** - The Authority invests funds in accordance with its investment policy, bond indentures and the Texas Public Funds Investment Act. Investments are carried at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value is determined typically by quoted market prices.

H. **Restricted Assets** – Certain proceeds of the Authority's bonds and grants, as well as certain other resources, are classified as restricted assets in the statement of net asset because they are maintained in separate investment accounts, and their use is limited by applicable bond covenants and grant agreements. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. **Income Taxes** - The Authority is an instrumentality of the State of Texas. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.

J. **Bond Premiums, Discounts and Issuance Costs** - The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance cost is amortized over a 7 year period. In the years ended June 30, 2008 and 2007, the Authority amortized $1,432,315 and $890,337 of issuance costs, respectively.

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

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

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

revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

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

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

As of June 30, 2008 and 2007, the Authority had the following investments:

Summary of Investments by Type		2008	2007
JP Morgan Chase & Co. Guaranteed Investment Contracts	$	-	10,310,832
TexSTAR Investment Pool		48,421,115	71,494,603
Certificates of Deposit		1,500,000	-
U.S. Government Agency securities:			
Federal Home Loan Bank		-	4,467,084
Federal Home Loan Mortgage Corp.		1,007,641	-
Total investments	$	50,928,756	86,272,519
Unrestricted investments	$	4,569,889	7,413,354
Restricted investments		46,358,867	78,859,165
Total investments	$	50,928,756	86,272,519
Interest income	$	3,764,688	14,881,241
Less: interest income capitalized		-	(14,416,435)
Total investment income	$	3,764,688	464,806

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

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, 2008, the carrying amount of the Authority's cash and cash equivalents was $12,168,661. The bank balance was $193,595 as of June 30, 2008. The remaining amount was maintained in money market accounts.

At June 30, 2007, the carrying amount of the Authority's cash and cash equivalents was $640,520. The bank balance was $64,840 as of June 30, 2007. The remaining amount was 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 insures up to $100,000 per institution, $250,000 from October 3, 2008 through December 31, 2009. The Authority is fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended June 30, 2008.

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.

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

2. Cash and Investments (continued)

With regards to investment composition, the Authority's investment policy currently states that local government investment pools may not exceed 80% of the total investment portfolio less bond funds. Bond funds may be invested at 100% of total investment portfolio. No other parameters for investment composition are stated in the approved investment policy.

As of June 30, 2008 and 2007, the following was the composition of the Authority's portfolio:

	2008	2007
JP Morgan Chase & Co. Guaranteed Investment Contracts	0.0%	11.9%
TexSTAR Investment Pool	95.1%	82.9%
United States Government Agency securities	2.0%	5.2%
Certificates of Deposit	2.9%	0.0%

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 sixteen 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, 2008 and 2007, all of the Authority's investments mature within one year. The weighted average maturity of the TexSTAR Investment Pool at June 30, 2008 and 2007 was 31 days and 18 days, respectively.

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

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
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Authority will do business

The TexSTAR Investment Pool is rated AAA by Standard and Poor's and 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 were 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.

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2008 and 2007:

Property and equipment as of June 30, 2008:

		2007	Additions	Reclass		2008
Property and equipment	$	7,686,099	1,688,141		$	9,374,240
Toll Road						
Building and Toll Facilities		6,897,618	164,714	-		7,062,332
Highways and Bridges		190,310,210	7,149,141	-		197,459,351
Toll Equipment		4,519,992	67,123	-		4,587,115
Signs		5,258,662	15,801	-		5,274,463
Land Improvements		819,435	138,250	-		957,685
Right-of-Way		22,767,076	33,548	(95,789)		22,704,835
Accumulated depreciation		(748,750)	(7,294,685)	-		(8,043,435)
Net property and equipment	$	237,510,342	1,962,033	(95,789)	$	239,376,586

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

3. Capital Assets (continued)

Property and equipment as of June 30, 2007:

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

Construction in progress as of June 30, 2008:

		2007	Additions	Reclass		2008
Construction in progress						
Preliminary costs	$	4,379,846	4,566,060	-	$	8,945,906
Engineering		134,553	20,534	-		155,087
Construction		-	-	-		-
Collection system		27,220	135,587	-		162,807
Capitalized interest		-	-	-		-
Net construction in progress	$	4,541,619	4,722,181		$	9,263,800

Construction in progress as of June 30, 2007:

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

Depreciation expense for the years ended June 30, 2008 and 2007 was $7,294,685 and $663,233, respectively. No retirements of capital assets occurred during the years ended June 30, 2008 and 2007.

The Authority's construction of the 183A Turnpike Project was substantially completed in March 2007. The total budget for the construction of the 183A Turnpike Project is $224.7 million, of which approximate $222 million has been incurred. Prior to the capitalization of the construction costs to the toll road and other property and

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

3. Capital Assets (continued)

equipment, preliminary and engineering costs for the development of all construction projects totaled $242.4 million as of June 30, 2007.

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

		(Prior to capitalization) 2007
Interest accrued on bonds	$	27,524,717
Less: bond premium amortization		(3,701,455)
Plus: bond issuance cost amortization		3,360,844
Interest expense capitalized		27,184,106
Less: cumulative interest earned on bond proceeds invested		(14,416,435)
Less: investment bond discount		(326,770)
	$	12,440,901

The Authority has entered into other preliminary and engineering costs for the development of other construction projects totaling $9.3 million.

		Construction in Progress
290 East	$	7,087,301
183/71		155,952
183A Extension		636,311
Other construction		1,384,236
	$	9,263,800

4. Bonds Payable

The following schedule summarizes the bonds payable as of June 30, 2008 and 2007:

Bonds Payable as of June 30, 2008:

		2007	Additions	Payments		2008
Series 2005 Obligations	$	233,967,611	-	(66,000,000)	$	167,967,611
TIFIA Bond		-	66,000,000	-		66,000,000
Total	$	233,967,611	66,000,000	(66,000,000)	$	233,967,611

Bonds Payable as of June 30, 2007:

		2006	Additions	Payments		2007
Series 2005 Obligations	$	233,967,611	-	-	$	233,967,611
Total	$	233,967,611	-	-	$	233,967,611

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

4. Bonds Payable (continued)

Series 2005 Obligations

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

The proceeds from the Series 2005 Obligations were used to: i) finance a portion of the costs of planning, designing, engineering, developing and constructing the interim phase of the 183A 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, 2008.

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.

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

Notes to Financial Statements

For the years ended June 30, 2008 and 2007

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	-	$ 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	82,497	1,577,497
Current Interest Serial Bonds	2013	5.00%	2,720,000	171,140	2,891,140
Current Interest Serial Bonds	2014	3.50%	3,100,000	(12,395)	3,087,605
Current Interest Serial Bonds	2022	5.00%	3,260,000	206,333	3,466,333
Current Interest Serial Bonds	2023	5.00%	3,115,000	190,830	3,305,830
Current Interest Serial Bonds	2024	5.00%	2,995,000	174,770	3,169,770
Current Interest Term Bonds	2025	4.50%	2,950,000	(19,140)	2,930,860
Current Interest Term Bonds	2026	4.50%	4,235,000	(27,726)	4,207,274
Current Interest Term Bonds	2027	4.50%	4,280,000	(28,248)	4,251,752
Current Interest Term Bonds	2028	4.50%	3,815,000	(25,362)	3,789,638
Current Interest Term Bonds	2029	4.50%	3,870,000	(25,897)	3,844,103
Current Interest Term Bonds	2030	5.00%	3,930,000	172,224	4,102,224
Current Interest Term Bonds	2031	5.00%	5,200,000	229,123	5,429,123
Current Interest Term Bonds	2032	5.00%	5,250,000	232,477	5,482,477
Current Interest Term Bonds	2033	5.00%	5,315,000	236,427	5,551,427
Current Interest Term Bonds	2034	5.00%	5,395,000	240,985	5,635,985
Current Interest Term Bonds	2035	5.00%	5,490,000	246,167	5,736,167
Current Interest Term Bonds	2036	5.00%	7,170,000	267,625	7,437,625
Current Interest Term Bonds	2037	5.00%	7,320,000	274,108	7,594,108
Current Interest Term Bonds	2038	5.00%	7,485,000	281,125	7,766,125
Current Interest Term Bonds	2039	5.00%	7,670,000	288,870	7,958,870
Current Interest Term Bonds	2040	5.00%	7,875,000	297,353	8,172,353
Current Interest Term Bonds	2041	5.00%	9,000,000	340,643	9,340,643
Current Interest Term Bonds	2042	5.00%	9,245,000	350,693	9,595,693
Current Interest Term Bonds	2043	5.00%	9,520,000	361,871	9,881,871
Current Interest Term Bonds	2044	5.00%	9,810,000	373,613	10,183,613
Current Interest Term Bonds	2045	5.00%	10,125,000	386,305	10,511,305
Total Current Interest Bonds			151,635,000	5,266,411	156,901,411
Total Series 2005 Senior Lien Revenue Bonds			167,967,611	5,266,411	173,234,022
Total Series 2005 Obligations			$ 167,967,611	$ 5,266,411	$ 173,234,022

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

4. Bonds Payable (continued)

The amount of accumulated accreted interest on the Series 2005 Convertible CABs as of June 30, 2008 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2005.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total
Convertible Capital Appreciation Bonds	2015	4.20%	$ 1,593,394	$ 198,941	$ 1,792,335
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	395,007	3,519,756
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	354,787	3,093,606
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	321,564	2,745,307
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	292,250	2,469,254
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	267,462	2,236,832
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	316,747	2,622,279
Total Convertible Capital Appreciation Bonds			$ 16,332,611	$ 2,146,758	$ 18,479,369

TIFIA Bond

The U.S. Department of Transportation has agreed to lend the Authority up to $66 million 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.

On January 1, 2008, the Authority borrowed the entire balance of $66 million to pay down the Series 2005 Subordinate Lien BANS. The maturity date of the TIFIA bond is January 1, 2042. Interest on the TIFIA bond accrues at an annual rate of 4.69% with interest payable each January 1 and July 1, commencing January 1, 2012. As of June 30, 2008, the Authority had a total of $1,547,700 of interest accrued on the $66,000,000 balance for a total of $67,547,700.

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

4. Bonds Payable (continued)

Series 2005 Obligations and TIFIA Bond Obligations

Future payments of principal and interest on the Series 2005 Obligations and TIFIA Bond Obligations (based on the scheduled payments) as of June 30, 2008 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Amount
2009	$	7,439,500	$ 7,439,500
2010	-	7,439,500	7,439,500
2011	-	7,439,500	7,439,500
2012	100,000	10,754,843	10,854,843
2013	150,000	13,720,746	13,870,746
2014 and thereafter	245,344,172	240,894,984	486,239,156
Total obligations	$ 245,594,172	$ 287,689,073	$ 533,282,245

Below is a reconciliation of the principal payments to the balance sheet as of June 30, 2008:

	Principal
Total obligations	$ 245,594,172
Less: Capitalized TIFIA bond interest	(10,078,859)
Add: Unamortized Premium / Discount	5,266,411
Total Series 2005 Obligations and TIFIA bond	$ 240,781,724

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, 2008.

6. Risk Management

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority carries insurance with private insurers under an "all risks" policy. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk so as to reduce the overall exposure of risk to the Authority. There were no settlements in excess of insurance coverage in 2008 and 2007.

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

6. Risk Management (continued)

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

7. Employee Retirement Plan

Plan Description - The Authority participates in the Texas County and District Retirement System (the System). The System is a non-profit public trust providing pension, disability and death benefits for the eligible employees of participating counties and districts. The System was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCDRS Act (Subtitle F, Title 8, Texas Government Code) is the basis for the System administration. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be downloaded at 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 2008 and 2007, the contribution rate for the Plan members was 7.0% of gross pay. The Authority pays a matching portion to the defined contribution pension plan totaling 12.59% and 12.62% of gross pay for 2008 and 2007, respectively, which totaled $158,647 and $140,465 for 2008 and 2007, respectively.

8. Disaggregation of Receivable and Payable Balances

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2008 and 2007. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2008 and 2007.

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 $48,421,115 and $71,494,603 in TexSTAR as of June 30, 2008 and 2007, respectively.

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

Central Texas Regional Mobility Authority
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

10. Commitments and Contingent Liabilities

The Authority's construction of the 183A Turnpike Project was substantially completed in March 2007. The total budget for the construction of the 183A Turnpike Project is $224.7 million, of which approximately $222 million has been incurred.

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

2009	$138,254
2010	140,093
2011	149,288
2012	124,407
	$552,042

Coinciding with the office space lease noted above, the Authority entered into a 7-year sublease agreement with a related party for a portion of the 301 Congress Avenue space. On March 1, 2008, the related party cancelled the sublease. The total of minimum rentals received during the year ended June 30, 2008 was $41,063.

The Authority's total rental expense for fiscal years 2008 and 2007 amounted to $178,260 and $182,683, respectively.

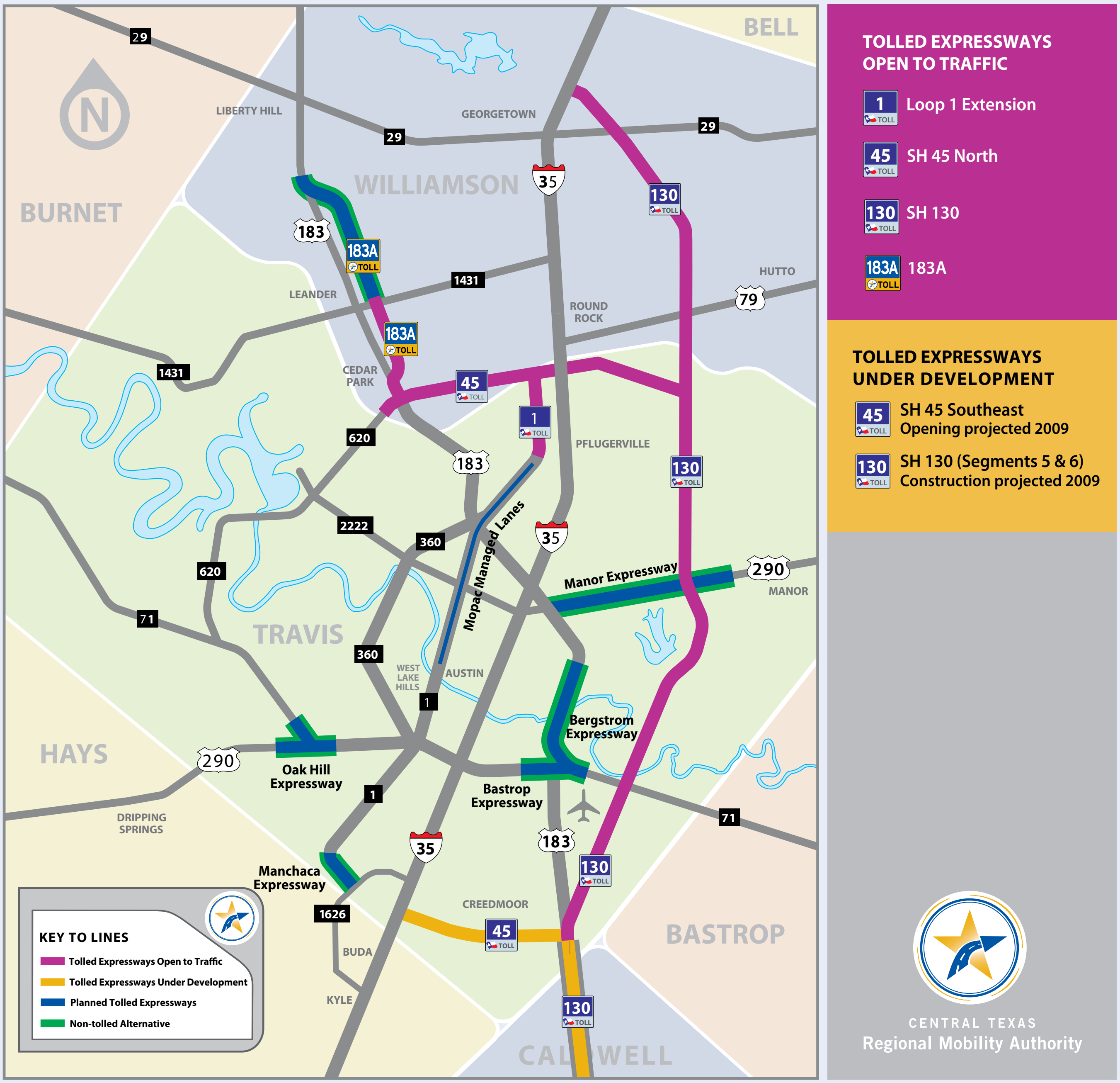
11. Due from Other Agencies

Due from other agencies is comprised of amounts due from other Texas tolling authorities related to toll tag transactions on the Authority's toll road. The Authority does not issue toll tags; however, the Authority has contracted with the Texas Department of Transportation (TxDOT) to handle customer service and operations related to the toll tag transactions. As of June 30, 2008 and 2007, the receivable from the TxDOT authority comprises approximately 92% of the total balance due from other agencies, $638,852 and $260,490, respectively. As of June 30, 2008 and 2007, the remaining balance is from toll tags owned by other Texas authorities, $56,554 and $23,309, respectively.

12. Contributions from Williamson County

During 2005, Williamson County signed several agreements with the Authority to transfer right-of-way Property. During the year ended June 30, 2007, Williamson County contributed approximately $18.4 million of property to the Authority. During the year ended June 30, 2008, the Authority returned 2.568 acres to Williamson County estimated at a value of approximately $96,000.

In partnership with TxDOT, the Mobility Authority is helping to build a network of high speed expressways linking the key economic centers of Central Texas together. The regional toll road program includes four roads which are already open including SH 130, SH 45 north, Loop 1 and the Mobility Authority's 183A. In Fiscal year 2009, TxDOT is expected to open the SH 45 southeast project, and the SH 130 Concession Company is expected to begin construction on an extension of SH 130 south to I-10 in Seguin. Other projects on the horizon include a northern extension of 183A and the US 290 East Manor Expressway project, both expected to break ground in 2010. In, addition the Mobility Authority is working on the US 183 (Bergstrom Expressway), SH 71 (Bastrop Expressway), SH 45 Southwest (Manchaca Expressway), US 290 West/SH 71 West (Oak Hill Expressway) and is studying a managed lane project on Loop 1.

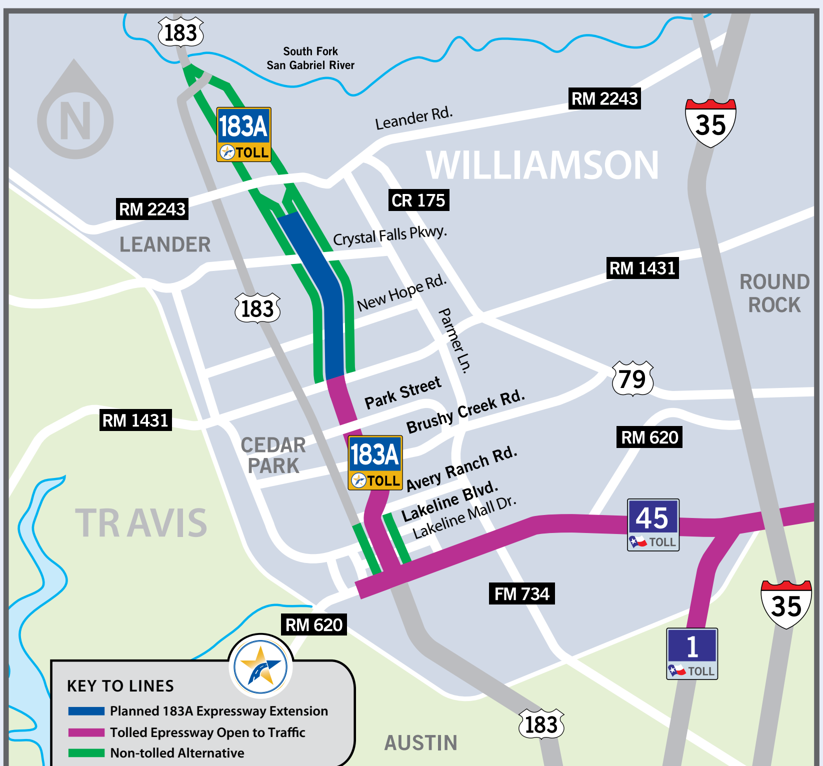


Central Texas Toll Road Program

The Manor Expressway is a 6.2 mile toll road that will be constructed in an expanded median of US 290 between US 183 and Parmer Lane in northeast Austin. The Manor Expressway is projected to cost $623 million and should be completed by 2013. The project will include non-tolled frontage roads.

290E (Manor Expressway)

290 TOLL



183A

The 183A northern extension extends 4.5 miles from RM 1431 to RM 2243 in the city of Leander. The project is projected to cost $101 million and should be completed by 2011. The extension will be built in the median between the existing non-tolled frontage roads.

183A TOLL

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