PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Central Texas Regional Mobility Authority

Financial Statements, Supplemental Schedule, and
Management Discussion and Analysis
June 30, 2012 and 2011

(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, 2012. Please read it in conjunction with the Authority financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Bonds payable were issued in 2005, 2010, and 2011 and have a combined outstanding balance of $681.1 million as of June 30, 2012. The bonds are repayable over the next 34 years, 29 years, and 35 years, respectively.
- The U.S. Department of Transportation lent the Authority $66 million (TIFIA Bond) in 2008. The outstanding balance, including principal and accreted interest, was $77.7 million as of June 30, 2012. The TIFIA Bond is repayable over the next 30 years.
- Investments decreased by $97.3 million from 2011 to 2012 in part due to investment in construction in progress.
- Total operating expenses were approximately $28.2 million and $29.6 million in 2012 and 2011, respectively.
- Total construction in progress was approximately $364.9 million, $204.3 million, and $69.8 million as of June 30, 2012, 2011 and 2010, respectively.

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, the notes to the financial statements, and the supplemental schedule.

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 $104.3 million, $80.3 million, and $56.1 million, as of June 30, 2012, 2011, and 2010, respectively (See Table A-1). In 2012, total assets increased 3.6% to $919.8 million and total liabilities increased 1.0% to $815.5 million resulting in an increase of 30.0% in total net assets. The increase of $24.1 million is the result of 2012 operating income of $35.2 million which was offset primarily by net interest expense of $11.9 million.

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

	2012	2011	2010
Current assets	$ 19,025	$ 14,049	$ 9,864
Restricted assets	307,840	433,409	185,367
Capital assets	577,833	424,471	295,819
Bond issuance cost	15,100	16,095	10,825
Total assets	$ 919,798	$ 888,024	$ 501,875
Total liabilities	$ 815,479	$ 807,773	$ 445,757
Net assets:			
Invested in capital assets	19,871	25,694	11,916
Restricted for other purposes	76,420	40,508	34,339
Unrestricted	8,028	14,049	9,863
Total net assets	104,319	80,251	56,118
Total liabilities and net assets	$ 919,798	$ 888,024	$ 501,875

Changes in Net Assets

Changes in net assets as of June 30, 2012 and 2011 were approximately $24.1 million and 24.1 million, respectively, a 30% and 43%, respectively, increase in total net assets from 2011 and 2010. The Authority's total revenues for the year ended June 30, 2012 were $52.2 million, a decrease of 2% from 2011, and total expenses were $28.2 million, which were consistent with 2011. See Table A-2.

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

	2012	2011	2010
Revenues:			
Toll revenue	$23,604	$21,458	$20,216
Grants and contributions	28,424	31,989	5,675
Other revenue	210	243	371
Total revenues	52,238	53,690	26,262
Expenses:			
Administration	25,915	26,970	28,081
Professional services	2,256	2,586	1,563
Total expenses	28,171	29,556	29,644
Contributed capital	-	-	-
Change in net assets	24,067	24,134	(3,382)
Total net assets, beginning of the year	80,252	56,118	59,500
Total net assets, end of the year	$104,319	$80,252	$56,118

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, 2011 and 2010 the Authority had invested approximately $364.9 million, $204.3 million, and $69.8 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.

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

	2012	2011	2010
Property and equipment	$ 9,726	$ 9,701	$ 9,632
Toll Road	241,474	241,474	240,135
Accumulated depreciation	(38,220)	(31,007)	(23,716)
Construction work in progress	364,853	204,303	69,768
Net capital assets	$577,833	$424,471	$295,819

Long-Term Debt

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

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

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 in full. 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.

The Authority issued its Series 2010 Senior Lien Revenue Bonds and Taxable Series 2010 Subordinate Lien Revenue Bonds (Build America Bonds – Direct Subsidy) (Series 2010 Subordinate Lien Bonds) on March 1, 2010, collectively called the Series 2010 Obligations. The Series 2010 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2010 CIBs) and in part as Capital Appreciation Bonds (Series 2010 CABs).

On August 1, 2010, the Authority issued its Revenue Notes, Taxable Series 2010 (Build America Bonds – Direct Subsidy) in an aggregate principal amount of $60 million (Series 2010 Notes). The proceeds were used to: (i) pay a portion of the Costs of the 290 East Project, and (ii) pay certain issuance costs of the Series 2010 Notes. The Series 2010 Notes were redeemed in full from proceeds of the Series 2011 Senior Lien Revenue Bonds issued by the Authority in 2011, as described below.

The proceeds from the Series 2010 Obligations were used to: to (i) finance a portion of the costs of the 183A Phase II Project, (ii) currently refund and redeem, in whole, the Authority's outstanding Revenue Notes, Taxable Series 2009, (iii) pay capitalized interest with respect to the Series 2010 Obligations, (iv) make a deposit to the Senior Lien Debt Service Reserve Fund and the Subordinate Lien Debt Service Reserve Fund, and (v) pay certain issuance costs of the Series 2010 Obligations.

On December 2, 2009, the Authority entered into an agreement to borrow $31.61 million from the State Infrastructure Bank to finance the cost of right of way acquisition and partial final design funding for a portion of the 290 East Project (SIB Loan). The term of the SIB Loan is 30 years. Interest on the SIB Loan accretes at an interest rate of 2.95% per annum from December 2, 2009 until February 1, 2012, with such interest being compounded on each February 1 and August 1, commencing February 1, 2010. The Authority repaid the SIB Loan in full from proceeds of the Series 2011 Senior Lien Revenue Bonds issued by the Authority in 2011, as described below.

The Authority issued its Series 2011 Senior Lien Revenue Bonds and Series 2011 Subordinate Lien Revenue Bonds on June 29, 2011, collectively called the Series 2011 Obligations. The Series 2011 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2011 CIBs) and in part as Capital Appreciation Bonds (Series 2011 CABs).

A portion of the proceeds from the Series 2011 Obligations was used to (i) prepay the SIB Loan in full, (ii) redeem the Series 2010 Notes in whole, (iii) pay capitalized interest with respect to the Series 2011 Obligations, (iv) make a deposit to the Senior Lien Debt Service Reserve Fund and the Subordinate Lien Debt Service Reserve Fund and (v) pay certain issuance costs of the Series 2011 Obligations. The remaining proceeds of the Series 2011 Obligations will be used to finance a portion of the costs of the Manor Expressway Phase II Project and as otherwise authorized in the Indenture.

In December 2011, the Authority entered into a Secured Loan Agreement with a bank for a secured draw down note facility in an aggregate amount up to $5 million (Draw Down Note). The Draw Down Note bears interest at the one-month LIBOR rate plus 2.85%. The Draw Down Note matures on December 15, 2015 and requires monthly interest payments on outstanding balances. Certain funds of the Authority are collateral for the Draw Down Note.

Proceeds from the Draw Down Note are to be used to pay (i) expenses of studying the cost, design, engineering, and feasibility of transportation projects, (ii) expenses associated with securing the Draw Down Note, and (iii) the reimbursement to the Authority of costs attributable to certain preliminary cost and feasibility and other expenses relating to the preparation of financing of the transportation projects incurred prior to the execution of the Draw Down Note.

As of June 30, 2012, the Authority had total debt outstanding of approximately $759 million. See Table A-4.

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

	2012	2011	2010
Capital Appreciation Bonds	$ 61,332	$ 61,332	$ 50,833
Current Interest Bonds	619,791	621,542	262,208
TIFIA Bond	77,656	77,627	74,110
SIB Loan	-	-	32,153
Draw Down Note	400	-	-
Net Debt Outstanding	759,179	760,501	419,304
Less: Net Debt Outstanding - Current Portion	2,870	1,595	-
Net Debt Outstanding - Non-Current Portion	$ 756,309	$ 758,906	$ 419,304

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, 2012 and 2011, 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. Those standards require that we plan and perform the audits 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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Supplemental Schedule – Indenture Cash Flow and Debt Service Coverage on page 31 is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures to the required and other supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PMB Helin Donovan, LLP

PMB Helin Donovan, LLP

October 22, 2012

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Statements of Net Assets

June 30, 2012 and 2011

	2012	2011
Assets:		
Current assets:		
Cash and cash equivalents (note 2)	$ 96,087	$ 343,397
Investments (note 2)	4,563,052	7,690,809
Due from other agencies (note 11)	13,863,197	5,880,736
Accrued interest receivable	477,627	98,481
Prepaid expenses and other assets	25,216	35,554
Total current assets	19,025,179	14,048,977
Restricted assets:		
Cash and cash equivalents (note 2)	45,098,220	76,452,979
Investments (note 2)	262,742,034	356,955,630
Total restricted assets	307,840,254	433,408,609
Property, toll road and equipment, net (note 3)	212,980,016	220,167,912
Construction work in progress (note 3)	364,852,641	204,303,264
Bond issuance costs, net	15,100,302	16,095,508
Total assets	$ 919,798,392	$ 888,024,270
Liabilities:		
Current liabilities:		
Accounts payable	$ 21,580,593	$ 29,978,373
Accrued interest payable	21,088,563	8,084,628
Accrued expenses	236,811	436,231
Deferred revenue	34,774	-
TIFIA bond - current portion	150,000	100,000
Bonds payable - 2005 Series - current portion	2,720,000	1,495,000
Total current liabilities	45,810,741	40,094,232
Noncurrent liabilities:		
Draw down note (note 4)	400,000	-
TIFIA bond (note 4)	77,506,077	77,526,562
Bonds payable - 2005 Series (note 4)	168,382,977	171,263,917
Bonds payable - 2010 Series (note 4)	140,048,511	140,083,302
Bonds payable - 2011 Series (note 4)	369,971,128	370,031,771
Accumulated accretion on capital appreciation bonds (note 4)	13,360,344	8,773,041
Total liabilities	815,479,778	807,772,825
Net assets:		
Invested in capital assets, net of related debt	19,870,933	25,693,973
Restricted for other purposes	76,419,502	40,508,495
Unrestricted	8,028,179	14,048,977
Total net assets	104,318,614	80,251,445
Total liabilities and net assets	$ 919,798,392	$ 888,024,270

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, 2012 and 2011

	2012	2011
Operating Revenues		
Tolls	$ 23,603,505	$ 21,458,000
Grants and contributions	28,423,670	31,989,492
Other	210,622	3,383
Total revenues	52,237,797	53,450,875
Operating expenses		
Salaries and wages	2,379,779	2,443,879
Other contractual services	2,761,992	3,049,833
Professional services	2,255,640	2,585,915
General and administrative	9,660,153	9,601,791
Total operating expenses	17,057,564	17,681,418
Total operating increase	35,180,233	35,769,457
Nonoperating revenues/expenses		
Gain on legal settlement	835,312	-
Interest income, net of interest capitalized, (note 2)	190,933	239,771
Interest expense	(12,139,309)	(11,875,221)
Change in net assets	24,067,169	24,134,007
Total net assets at beginning of the year	80,251,445	56,117,438
Total net assets at end of the year	$ 104,318,614	$ 80,251,445

See accompanying notes to financial statements.

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from toll fees	$ 28,553,058	$ 21,813,552
Receipts from grants and other income	27,574,251	31,992,875
Receipts from interest income	289,414	241,195
Payments to vendors	(4,628,154)	(3,423,724)
Payments to professionals	(2,523,335)	(2,585,915)
Payments to employees	(2,377,417)	(2,395,308)
Net cash flows provided by operating activities	46,887,817	45,642,675
Cash flows from capital and related financing activities:		
Acquisitions of property and equipment	(24,951)	(1,407,644)
Payments on interest	(8,934,500)	(7,439,500)
Acquisitions of construction in progress	(165,676,788)	(121,295,208)
Payment of State Infrastrucure Loan	-	(32,943,677)
Payment of Series 2005 Bonds	(1,495,000)	-
Proceeds from Series 2011 Bonds	-	370,031,771
Payment of TIFIA bond	(100,000)	-
Proceeds from Draw Down Note	400,000	-
Net cash flows provided by (used in) capital and related financing activities	(175,831,239)	206,945,742
Cash flows from investing activities:		
Purchase of investments	(427,003,296)	(394,066,109)
Proceeds from sale or maturity of investments	524,344,649	181,154,191
Net cash flows provided by (used in) investing activities	97,341,353	(212,911,918)
Net increase (decrease) in cash and cash equivalents	(31,602,069)	39,676,499
Cash and cash equivalents at beginning of year	76,796,376	37,119,877
Cash and cash equivalents at end of year (including $45,098,220 for 2012 and $76,452,979 for 2011 reported in restricted assets)	$ 45,194,307	$ 76,796,376
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 24,067,169	$ 24,134,007
Adjustments to reconcile change in net assets to Net cash used in operating activities:		
Depreciation and amortization	7,212,847	7,290,997
Amortization of premium/discount	(160,940)	-
Interest accretion	1,424,874	-
Issuance cost amortization	301,858	-
Nonoperating interest	8,934,500	7,439,500
Changes in assets and liabilities:		
Increase in prepaid expenses and other assets	10,338	5,055
(Increase) decrease in non-cash revenue (due from other agencies)	(7,982,461)	355,552
Increase in accounts payable	13,244,278	6,397,714
Decrease in accrued expenses	(199,420)	19,850
Increase in deferred revenue	34,774	-
Total adjustments	22,820,648	21,508,668
Net cash flows provided by operating activities	$ 46,887,817	$ 45,642,675

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

The financial statements of the Central Texas Regional Mobility 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 the codification of 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 authorized 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, grants, 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.

Liquidity – During the year ending June 30, 2012, the Company reported revenue of $52.2 million, and a change in net assets of approximately $24.1 million. Management believes that it has cash on hand, anticipated 2013 operating results, and available credit facilities that are sufficient to fund its operations through June 30, 2013.

B. Basis of Accounting - The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets. Operating expenses for the Authority include the costs of operating the turnpikes, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Investments are reported at fair value. The net change in fair value of investments is recorded on the statements of revenues, expenses and changes in net assets and includes the unrealized and realized gains and losses on investments.

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

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 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.

F. Grants and Contributions - Revenues on grants and contributions include right-of-way property that is restricted to meeting the operational or capital requirements of a particular program. The Authority considers all grants and contributions to be 100% collectible.

The Authority has entered into several grant agreements with the Texas Department of Transportation (TxDot) for construction costs using Highway Planning and Construction federal funding for transportation improvements. During the years ended June 30, 2012 and 2011, the Authority received $28,423,670 and $31,989,492, respectively, from TxDot. The Authority defers the recognition of revenue when funds are received in advance of when the amounts are earned. As of June 30, 2012, there was no deferred grant revenue.

During the year ended June 30, 2012, the Authority received 90% and 10%, respectively, of total grant revenue from contracts funded through federal and state governments. It is possible that at some time in the future these contracts could terminate, or funding could be reduced. However, the Authority does not currently expect that these contracts will be terminated or that funding will be reduced in the near future.

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 statements of net assets 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 using the effective interest method. Bond issuance cost is amortized over the estimated life of the bonds. In the years ended June 30, 2012 and 2011, the Authority amortized $301,858 and $298,307 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 the codification of Government and Financial Reporting Standards 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 the 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. Examples of management's use of estimates and assumptions include, but are not limited to, depreciable lives and estimated residual value of property and equipment, amortization period of deferred costs, and the valuation of investments.

M. **Reclassification** - Certain amounts reported in previous periods have been reclassified to conform to the current year presentation.

N. **Subsequent Events -** The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ending June 30, 2012, this date was October 22, 2012.

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. 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, 2012 and 2011, the Authority had the following investments:

Summary of Investments by Type		**2012**	**2011**
TexSTAR Investment Pool	$	55,416,489	31,106,287
Certificates of Deposit		-	3,100,000
Guaranteed Investment Contract		-	266,522,987
U.S. Government Agency securities:			
Federal Home Loan Mortgage Corp.		211,888,597	63,917,165
Total investments	$	267,305,086	364,646,439
Unrestricted investments	$	4,563,052	7,690,809
Restricted investments		262,742,034	356,955,630
Total investments	$	267,305,086	364,646,439
Interest income	$	1,096,573	1,032,616
Less: interest income capitalized		(905,640)	(792,845)
Total investment income	$	190,933	239,771

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, 2012, the carrying amount of the Authority's cash and cash equivalents was $45,194,307. The bank balance was $1,208,945 as of June 30, 2012. The remaining amount was maintained in money market accounts. At June 30, 2011, the carrying amount of the Authority's cash and cash equivalents was $76,796,376. The bank balance was $350,931 as of June 30, 2011. The remaining amount is maintained in money market accounts.

There is no limit on the amount the Authority may deposit in any one institution. The Authority was fully collateralized with pledged securities for amounts in excess of the FDIC limit for the year ended June 30, 2012 and 2011.

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 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, 2012 and 2011, the Authority's portfolio consisted of the following:

	2012	2011
TexSTAR Investment Pool	20.7%	8.5%
Certificates of Deposit	-	0.9%
Guaranteed Investment Contracts	-	73.1%
United States Government Agency securities	79.3%	17.5%

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, 2012 and 2011, all of the Authority's investments mature within one year. The weighted average maturity of the TexSTAR Investment Pool at June 30, 2012 and 2011 was 47 days and 46 days, respectively.

Credit Risk

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

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

The TexSTAR Investment Pool is rated AAA by Standard and Poor's 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 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, 2012 and 2011:

Property, toll road and equipment as of June 30, 2012:

	2011	Additions/ Disposals	Reclass	2012
Property and equipment	$ 9,701,306	24,951	-	$ 9,726,257
Toll Road				
Building and toll facilities	7,062,332	-	-	7,062,332
Highways and bridges	198,281,337	-	-	198,281,337
Toll equipment	4,382,721	-	-	4,382,721
Signs	5,630,643	-	-	5,630,643
Land improvements	1,432,906	-	-	1,432,906
Right of way	24,683,551	-	-	24,683,551
Accumulated depreciation	(31,006,884)	(7,212,847)	-	(38,219,731)
Net property and equipment	$ 220,167,912	(7,187,896)	-	$ 212,980,016

Property, toll road and equipment as of June 30, 2011:

	2010	Additions/ Disposals	Reclass	2011
Property and equipment	$ 9,632,022	69,284	-	$ 9,701,306
Toll Road				
Building and toll facilities	7,062,332	-	-	7,062,332
Highways and bridges	198,281,337	-	-	198,281,337
Toll equipment	4,382,721	-	-	4,382,721
Signs	5,630,643	-	-	5,630,643
Land improvements	1,094,546	338,360	-	1,432,906
Right of way	23,683,551	1,000,000	-	24,683,551
Accumulated depreciation	(23,715,887)	(7,290,997)	-	(31,006,884)
Net property and equipment	$ 226,051,265	(5,883,353)	-	$ 220,167,912

Construction in progress as of June 30, 2012:

	2011	Additions/ Disposals	Reclass	2012
Construction in progress				
Preliminary costs	$ 170,271,830	116,901,988	-	$ 287,173,818
Engineering	-	10,249	-	10,249
Construction	19,730,821	7,220,677	-	26,951,498
Collection system	69,828	3,613,924	-	3,683,752
Capitalized interest	14,230,785	32,802,539	-	47,033,324
Net construction in progress	$ 204,303,264	160,549,377	-	$ 364,852,641

Construction in progress as of June 30, 2011:

	2010	Additions/ Disposals	Reclass	2011
Construction in progress				
Preliminary costs	$ 48,231,054	122,040,776	-	$ 170,271,830
Engineering	8,277	(8,277)	-	-
Construction	17,345,528	2,385,293	-	19,730,821
Collection system	69,828	-	-	69,828
Capitalized interest	4,113,356	10,117,429	-	14,230,785
Net construction in progress	$ 69,768,043	134,535,221	-	$ 204,303,264

Depreciation expense for the years ended June 30, 2012 and 2011 was $7,212,847 and $7,290,997 respectively. No retirements of capital assets occurred during the years ended June 30, 2012 and 2011.

Capitalized interest consists of the following as of June 30, 2012 and 2011:

	2012	2011
Interest accrued on bonds	$ 48,325,594	$ 14,950,763
Plus: bond issuance cost amortization	620,519	287,171
Interest expense capitalized	48,946,113	15,237,934
Less: cumulative interest earned on bond proceeds invested	(1,912,789)	(1,007,149)
	$ 47,033,324	$ 14,230,785

4. Long-Term Debt

The following schedule summarizes long-term debt for the years ended June 30, 2012 and 2011:

Long-term debt for the year ended June 30, 2012:

	2011	Additions/ Amortization	Payments	2012
Draw Down Note	$ -	400,000	-	$ 400,000
Series 2005 Bonds	172,758,917	(160,940)	(1,495,000)	171,102,977
TIFIA Bond	77,626,562	129,515	(100,000)	77,656,077
Series 2010 Obligations	140,083,302	(34,791)	-	140,048,511
Series 2011 Obligations	370,031,771	(60,643)	-	369,971,128
Total	$ 760,500,552	273,141	(1,595,000)	$ 759,178,693

Long-term debt for the year ended June 30, 2011:

	2010	Additions/ Amortization	Payments	2011
Series 2005 Bonds	$ 172,924,728	(165,811)	-	$ 172,758,917
TIFIA Bond	74,110,047	3,516,515	-	77,626,562
Series 2010 Obligations	140,116,204	(32,902)		140,083,302
State Infrastructure Bank Loan	32,153,244	790,433	(32,943,677)	-
Series 2010 Taxable Revenue Note (Interim Financing)	-	60,163,333	(60,163,333)	-
Series 2011 Obligations	-	370,031,771	-	370,031,771
Total	$ 419,304,223	434,303,339	(93,107,010)	$ 760,500,552

Series 2005 Obligations

The Authority issued its Series 2005 Senior Lien Revenue Bonds on March 2, 2005. The Series 2005 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2005 CIBs) and in part as Convertible Capital Appreciation Bonds (Series 2005 Convertible CABs).

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

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, 2012. As of June 30, 2012, the aggregate maturity amount is $22,488,655.

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 service 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.

Description	Maturity January 1	Interest Rate		Outstanding Principal		Unamortized Premium (Discount)		Total June 30, 2012
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	2013	5.00%		2,720,000		20,671		2,740,671
Current Interest Serial Bonds	2014	3.50%		3,100,000		(3,674)		3,096,326
Current Interest Serial Bonds	2022	5.00%		3,260,000		158,334		3,418,334
Current Interest Serial Bonds	2023	5.00%		3,115,000		150,658		3,265,658
Current Interest Serial Bonds	2024	5.00%		2,995,000		141,348		3,136,348
Current Interest Term Bonds	2025	4.50%		2,950,000		(15,815)		2,934,185
Current Interest Term Bonds	2026	4.50%		4,235,000		(23,306)		4,211,694
Current Interest Term Bonds	2027	4.50%		4,280,000		(24,102)		4,255,898
Current Interest Term Bonds	2028	4.50%		3,815,000		(21,925)		3,793,075
Current Interest Term Bonds	2029	4.50%		3,870,000		(22,648)		3,847,352
Current Interest Term Bonds	2030	5.00%		3,930,000		152,419		4,082,419
Current Interest Term Bonds	2031	5.00%		5,200,000		204,676		5,404,676
Current Interest Term Bonds	2032	5.00%		5,250,000		209,422		5,459,422
Current Interest Term Bonds	2033	5.00%		5,315,000		214,582		5,529,582
Current Interest Term Bonds	2034	5.00%		5,395,000		220,226		5,615,226
Current Interest Term Bonds	2035	5.00%		5,490,000		226,369		5,716,369
Current Interest Term Bonds	2036	5.00%		7,170,000		247,654		7,417,654
Current Interest Term Bonds	2037	5.00%		7,320,000		254,963		7,574,963
Current Interest Term Bonds	2038	5.00%		7,485,000		262,736		7,747,736
Current Interest Term Bonds	2039	5.00%		7,670,000		271,150		7,941,150
Current Interest Term Bonds	2040	5.00%		7,875,000		280,236		8,155,236
Current Interest Term Bonds	2041	5.00%		9,000,000		322,223		9,322,223
Current Interest Term Bonds	2042	5.00%		9,245,000		332,866		9,577,866
Current Interest Term Bonds	2043	5.00%		9,520,000		344,571		9,864,571
Current Interest Term Bonds	2044	5.00%		9,810,000		356,801		10,166,801
Current Interest Term Bonds	2045	5.00%		10,125,000		369,931		10,494,931
Total Current Interest Bonds				150,140,000		4,630,366		154,770,366
Total Series 2005 Senior Lien Revenue Bonds				166,472,611		4,630,366		171,102,977
Less: Bonds Payable - 2005 Series- Current Portion				(2,720,000)		-		(2,720,000)
Bonds Payable - 2005 Series - Non-Current Portion			$	163,752,611	$	4,630,366	$	168,382,977

The amount of accumulated accreted interest on the Series 2005 Convertible CABs as of June 30, 2012 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 June 30, 2012
Convertible Capital Appreciation Bonds	2015	4.20%	$ 1,593,394	$ 567,585	$ 2,160,979
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	1,128,314	4,253,063
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	1,015,820	3,754,639
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	922,865	3,346,608
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	839,745	3,016,749
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	769,424	2,738,794
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	912,291	3,217,823
Total Convertible Capital Appreciation Bonds			$ 16,332,611	$ 6,156,044	$ 22,488,655

Series 2010 Obligations

The Authority issued its Series 2010 Senior Lien Revenue Bonds and Taxable Series 2010 Subordinate Lien Revenue Build America Bonds (Series 2010 Subordinate Lien BABs) on March 1, 2010, collectively called the Series 2010 Obligations. The Series 2010 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2010 CIBs) and in part as Capital Appreciation Bonds (Series 2010 CABs).

The proceeds from the Series 2010 Obligations were used to: to (i) finance a portion of the costs of the 183A Phase II Project, (ii) currently refund and redeem, in whole, the Authority's outstanding Revenue Notes, Taxable Series 2009, (iii) pay capitalized interest with respect to the Series 2010 Obligations, (iv) make a deposit to the Senior Lien Debt Service Reserve Fund and the Subordinate Lien Debt Service Reserve Fund, and (v) pay certain issuance costs of the Series 2010 Obligations.

The Series 2010 CIBs are scheduled to mature on the dates and in the principal amounts shown below. Interest on the Series 2010 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 2010 CIBs is payable on each July 1 and January 1, commencing July 1, 2010.

The Series 2010 CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of $176,120,000. The principal amounts shown below for the Series 2010 CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2012. As of June 30, 2012, the aggregate maturity amount is $41,562,404.

Interest on the Series 2010 CABs will accrete from the date of initial delivery to stated maturity at the interest rates noted below and will compound on each July 1 and January 1, commencing July 1, 2010. Such accreted and compounded interest will be paid as part of the maturity amount at stated maturity.

The Series 2010 Subordinate Lien BABs are scheduled to mature on the date and in the principal amounts shown below. Interest on the Series 2010 Subordinate Lien BABs is calculated on the basis of a 360-day year of twelve 30-day months at the interest rates shown below. Interest on the 2010 Subordinate Lien BABs is payable on each July 1 and January 1, commencing July 1, 2010.

On August 1, 2010, the Authority issued its Revenue Notes, Taxable Series 2010 (Build America Bonds – Direct Subsidy) in an aggregate amount of $60 million (Series 2010 Notes). The proceeds were used to: (i) pay a portion of the costs of the 290 East Project, and (ii) pay certain issuance costs of the Series 2010 Notes. The Series 2010 Notes were redeemed in full from proceeds of the Series 2011 Senior Lien Revenue Bonds issued by the Authority in 2011, as described below.

Under the bond indenture relating to the Series 2010 Obligations, the debt service reserve fund for the Series 2010 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 service 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. The debt service reserve fund for the Series 2010 Subordinate Lien BABs requires an amount equal to the amounts set forth in the supplemental indenture relating thereto.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total June 30, 2012
Series 2010 Senior Lien Revenue Bonds					
Capital Appreciation Bonds	2025	7.20%	$ 3,158,010	$ -	$ 3,158,010
Capital Appreciation Bonds	2026	7.30%	3,516,022	-	3,516,022
Capital Appreciation Bonds	2027	7.40%	3,264,322	-	3,264,322
Capital Appreciation Bonds	2028	7.48%	3,171,378	-	3,171,378
Capital Appreciation Bonds	2029	7.56%	2,932,886	-	2,932,886
Capital Appreciation Bonds	2030	7.65%	2,702,667	-	2,702,667
Capital Appreciation Bonds	2031	7.71%	2,254,554	-	2,254,554
Capital Appreciation Bonds	2032	7.77%	2,103,884	-	2,103,884
Capital Appreciation Bonds	2033	7.78%	1,980,266	-	1,980,266
Capital Appreciation Bonds	2034	7.79%	1,860,557	-	1,860,557
Capital Appreciation Bonds	2035	7.80%	1,745,753	-	1,745,753
Capital Appreciation Bonds	2036	7.81%	1,418,625	-	1,418,625
Capital Appreciation Bonds	2037	7.82%	1,337,508	-	1,337,508
Capital Appreciation Bonds	2038	7.83%	1,258,995	-	1,258,995
Capital Appreciation Bonds	2039	7.84%	1,183,406	-	1,183,406
Capital Appreciation Bonds	2040	7.85%	1,110,877	-	1,110,877
Total Capital Appreciation Bonds			34,999,710	-	34,999,710
Current Interest Serial Bonds	2015	5.75%	140,000	4,965	144,965
Current Interest Serial Bonds	2017	5.75%	1,620,000	48,423	1,668,423
Current Interest Serial Bonds	2018	5.75%	3,475,000	87,075	3,562,075
Current Interest Serial Bonds	2019	5.75%	5,310,000	103,660	5,413,660
Current Interest Serial Bonds	2020	5.75%	7,240,000	101,142	7,341,142
Current Interest Term Bonds	2021	5.75%	8,530,000	(34,134)	8,495,866
Current Interest Term Bonds	2022	5.75%	$ 9,365,000	$ (38,575)	$ 9,326,425

Current Interest Term Bonds	2023	5.75%	$	10,215,000	$	(43,138)	$	10,171,862
Current Interest Term Bonds	2024	5.75%		11,075,000		(47,807)		11,027,193
Current Interest Term Bonds	2025	5.75%		2,910,000		(12,810)		2,897,190
Total Current Interest Bonds				59,880,000		168,801		60,048,801
Total Series 2010 Senior Lien Revenue Bonds			$	94,879,710	$	168,801	$	95,048,511
Series 2010 Subordinate Lien BABs								
Subordinate Lien BABs (Fixed Rate)	2015	11.625%	$	395,000	$	-	$	395,000
Subordinate Lien BABs (Fixed Rate)	2016	11.625%		425,000		-		425,000
Subordinate Lien BABs (Fixed Rate)	2017	11.625%		460,000		-		460,000
Subordinate Lien BABs (Fixed Rate)	2018	11.625%		490,000		-		490,000
Subordinate Lien BABs (Fixed Rate)	2019	11.625%		530,000		-		530,000
Subordinate Lien BABs (Fixed Rate)	2020	11.625%		570,000		-		570,000
Subordinate Lien BABs (Fixed Rate)	2021	11.625%		610,000		-		610,000
Subordinate Lien BABs (Fixed Rate)	2022	11.625%		660,000		-		660,000
Subordinate Lien BABs (Fixed Rate)	2023	11.625%		710,000		-		710,000
Subordinate Lien BABs (Fixed Rate)	2024	11.625%		760,000		-		760,000
Subordinate Lien BABs (Fixed Rate)	2025	11.625%		820,000		-		820,000
Subordinate Lien BABs (Fixed Rate)	2026	11.625%		880,000		-		880,000
Subordinate Lien BABs (Fixed Rate)	2027	11.625%		950,000		-		950,000
Subordinate Lien BABs (Fixed Rate)	2028	11.625%		1,020,000		-		1,020,000
Subordinate Lien BABs (Fixed Rate)	2029	11.625%		1,095,000		-		1,095,000
Subordinate Lien BABs (Fixed Rate)	2030	11.625%		1,180,000		-		1,180,000
Subordinate Lien BABs (Fixed Rate)	2031	11.625%		1,270,000		-		1,270,000
Subordinate Lien BABs (Fixed Rate)	2032	11.625%		1,455,000		-		1,455,000
Subordinate Lien BABs (Fixed Rate)	2033	11.625%		1,660,000		-		1,660,000
Subordinate Lien BABs (Fixed Rate)	2034	11.625%		1,880,000		-		1,880,000
Subordinate Lien BABs (Fixed Rate)	2035	11.625%		2,125,000		-		2,125,000
Subordinate Lien BABs (Fixed Rate)	2036	11.625%		2,385,000		-		2,385,000
Subordinate Lien BABs (Fixed Rate)	2037	11.625%		2,675,000		-		2,675,000
Subordinate Lien BABs (Fixed Rate)	2038	11.625%		2,985,000		-		2,985,000
Subordinate Lien BABs (Fixed Rate)	2039	11.625%		3,320,000				3,320,000
Subordinate Lien BABs (Fixed Rate)	2040	11.625%		3,690,000		-		3,690,000
Total Subordinate Lien BABs (Fixed Rate)				35,000,000		-		35,000,000
Subordinate Lien BABs (Variable Rate)	2015	variable		110,000		-		110,000
Subordinate Lien BABs (Variable Rate)	2016	variable		120,000		-		120,000
Subordinate Lien BABs (Variable Rate)	2017	variable		130,000		-		130,000
Subordinate Lien BABs (Variable Rate)	2018	variable		140,000		-		140,000
Subordinate Lien BABs (Variable Rate)	2019	variable		150,000		-		150,000
Subordinate Lien BABs (Variable Rate)	2020	variable		165,000		-		165,000
Subordinate Lien BABs (Variable Rate)	2021	variable		175,000		-		175,000
Subordinate Lien BABs (Variable Rate)	2022	variable		190,000		-		190,000
Subordinate Lien BABs (Variable Rate)	2023	variable		205,000		-		205,000
Subordinate Lien BABs (Variable Rate)	2024	variable		225,000		-		225,000
Subordinate Lien BABs (Variable Rate)	2025	variable		240,000		-		240,000
Subordinate Lien BABs (Variable Rate)	2026	variable		260,000		-		260,000
Subordinate Lien BABs (Variable Rate)	2027	variable		285,000		-		285,000
Subordinate Lien BABs (Variable Rate)	2028	variable		305,000		-		305,000
Subordinate Lien BABs (Variable Rate)	2029	variable		330,000		-		330,000
Subordinate Lien BABs (Variable Rate)	2030	variable		360,000		-		360,000
Subordinate Lien BABs (Variable Rate)	2031	variable		385,000		-		385,000
Subordinate Lien BABs (Variable Rate)	2032	variable		420,000		-		420,000
Subordinate Lien BABs (Variable Rate)	2033	variable		455,000		-		455,000
Subordinate Lien BABs (Variable Rate)	2034	variable		515,000		-		515,000
Subordinate Lien BABs (Variable Rate)	2035	variable		590,000		-		590,000
Subordinate Lien BABs (Variable Rate)	2036	variable		665,000		-		665,000
Subordinate Lien BABs (Variable Rate)	2037	variable		750,000		-		750,000
Subordinate Lien BABs (Variable Rate)	2038	variable		840,000		-		840,000
Subordinate Lien BABs (Variable Rate)	2039	variable		940,000				940,000
Subordinate Lien BABs (Variable Rate)	2040	variable	$	1,050,000	$	-	$	1,050,000

Total Subordinate Lien BABs (Variable Rate)	$ 10,000,000	$ -	$ 10,000,000
Total Series 2010 Subordinate Lien BABs	45,000,000	-	45,000,000
Total Series 2010 Obligations	$ 139,879,710	$ 168,801	$ 140,048,511

The amount of accumulated accreted interest on the Series 2010 CABs as of June 30, 2012 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, 2010.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total June 30, 2012
Capital Appreciation Bonds	2025	7.20%	$ 3,158,010	$ 559,440	$ 3,717,450
Capital Appreciation Bonds	2026	7.30%	3,516,022	632,050	4,148,072
Capital Appreciation Bonds	2027	7.40%	3,264,322	595,455	3,859,777
Capital Appreciation Bonds	2028	7.48%	3,171,378	585,078	3,756,456
Capital Appreciation Bonds	2029	7.56%	2,932,886	547,245	3,480,131
Capital Appreciation Bonds	2030	7.65%	2,702,667	510,837	3,213,504
Capital Appreciation Bonds	2031	7.71%	2,254,554	429,542	2,684,096
Capital Appreciation Bonds	2032	7.77%	2,103,884	404,341	2,508,225
Capital Appreciation Bonds	2033	7.78%	1,980,266	381,038	2,361,304
Capital Appreciation Bonds	2034	7.79%	1,860,557	358,479	2,219,036
Capital Appreciation Bonds	2035	7.80%	1,745,753	336,918	2,082,671
Capital Appreciation Bonds	2036	7.81%	1,418,625	274,054	1,692,679
Capital Appreciation Bonds	2037	7.82%	1,337,508	258,761	1,596,269
Capital Appreciation Bonds	2038	7.83%	1,258,995	244,000	1,502,995
Capital Appreciation Bonds	2039	7.84%	1,183,406	229,697	1,413,103
Capital Appreciation Bonds	2040	7.85%	1,110,877	215,759	1,326,636
Total Capital Appreciation Bonds			$ 34,999,710	$ 6,562,694	$ 41,562,404

TIFIA Bond

The U.S. Department of Transportation 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 in full. 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, 2012, the Authority had a total of $11,656,077 of interest accrued on the $66,000,000 balance for a total of $77,656,077 in outstanding principal and interest. As of June 30, 2011, the Authority had a total of $11,626,561 of interest accrued on the $66,000,000 balance for a total of $77,626,562 in outstanding principal and interest.

State Infrastructure Bank Loan

On December 2, 2009, the Authority entered into an agreement to borrow $31.61 million from the State Infrastructure Bank to finance the cost of right of way acquisition and partial final design funding for a portion of the 290 East Project (SIB Loan). The SIB Loan was redeemed in full from proceeds of the Series 2011 Senior Lien Revenue Bonds issued by the Authority in 2011, as described below.

Series 2011 Obligations

The Authority issued its Series 2011 Senior Lien Revenue Bonds and Series 2011 Subordinate Lien Revenue Bonds (Series 2011 Subordinate Lien Bonds) on June 29, 2011, collectively called the Series 2011 Obligations. The Series 2011 Senior Lien Revenue Bonds were issued in part as Current Interest Bonds (Series 2011 CIBs) and in part as Capital Appreciation Bonds (Series 2011 CABs).

A portion of the proceeds from the Series 2011 Obligations was used to (i) prepay the SIB Loan in full, (ii) redeem the Series 2010 Notes in whole, (iii) pay capitalized interest with respect to the Series 2011 Obligations, (iv) make a deposit to the Senior Lien Debt Service Reserve Fund and the Subordinate Lien Debt Service Reserve Fund and (v) pay certain issuance costs of the Series 2011 Obligations. The remaining proceeds of the Series 2011 Obligations will be used to finance a portion of the costs of the Manor Expressway Phase II Project and as otherwise authorized in the Indenture.

The Series 2011 CIBs are scheduled to mature on the dates and in the principal amounts shown below. Interest on the Series 2011 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 Series 2011 CIBs is payable on each July 1 and January 1, commencing January 1, 2012.

The Series 2011 CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of $22,130,000. The principal amounts shown below for the Series 2011 CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2012. As of June 30, 2012, the aggregate maturity amount is $10,641,550.

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at the interest rates noted below and will compound on each July 1 and January 1, commencing July 1, 2011. Such accreted and compounded interest will be paid as part of the maturity amount at stated maturity.

The Series 2011 Subordinate Lien Bonds are scheduled to mature on the date and in the principal amount shown below. Interest on the Series 2011 Subordinate Lien Bonds is calculated on the basis of a 360-day year of twelve 30-day months at the interest rate shown below. Interest on the Series 2011 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing January 1, 2012.

Under the bond indenture relating to the Series 2011 Obligations, the debt service reserve fund for the Series 2011 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 service 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. The debt service reserve fund for the Series 2011 Subordinate Lien Bonds requires an amount equal to the least of i) the maximum annual debt service on the Series 2011 Subordinate Lien Bonds, ii) 1.25 times the average annual debt service on the Series 2011 Subordinate Lien Bonds, or iii) ten percent of the stated principal amount of the Series 2011 Subordinate Lien Bonds.

The Series 2011 Obligations proceeds were used in part to redeem the Series 2010 Notes in whole. As noted in the guidance, the remaining discount from the Series 2010 Notes is to be amortized over the remaining life of the Series 2010 Notes or the Series 2011 Obligations, whichever is shorter in length of time. As such, the discount will be amortized over the life of the Series 2010 Notes. As of June 30, 2012, the remaining unamortized balance of the discount is $300,000.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total June 30, 2012
Series 2011 Senior Lien Revenue Bonds					
Capital Appreciation Bonds	2022	5.90%	$ 480,449	$ -	$ 480,449
Capital Appreciation Bonds	2023	6.10%	1,868,357	-	1,868,357
Capital Appreciation Bonds	2024	6.25%	3,346,475	-	3,346,475
Capital Appreciation Bonds	2025	6.40%	3,183,732	-	3,183,732
Capital Appreciation Bonds	2026	6.50%	1,120,931	-	1,120,931
Total Capital Appreciation Bonds			9,999,944	-	9,999,944
Current Interest Term Bonds	2026	5.75%	4,630,000	(29,826)	4,600,174
Current Interest Term Bonds	2027	5.75%	7,725,000	(53,356)	7,671,644
Current Interest Term Bonds	2028	5.75%	8,170,000	(60,221)	8,109,779
Current Interest Term Bonds	2029	5.75%	8,645,000	(67,722)	8,577,278
Current Interest Term Bonds	2030	5.75%	9,140,000	(75,817)	9,064,183
Current Interest Term Bonds	2031	5.75%	9,665,000	(84,616)	9,580,384
Current Interest Term Bonds	2032	6.00%	10,225,000	(94,202)	10,130,798
Current Interest Term Bonds	2033	6.00%	10,835,000	(104,762)	10,730,238
Current Interest Term Bonds	2034	6.00%	11,485,000	(116,256)	11,368,744
Current Interest Term Bonds	2035	6.00%	12,175,000	(128,728)	12,046,272
Current Interest Serial Bonds	2036	6.00%	12,905,000	(142,220)	12,762,780
Current Interest Term Bonds	2037	6.00%	13,675,000	(156,770)	13,518,230
Current Interest Term Bonds	2038	6.00%	14,500,000	(172,586)	14,327,414
Current Interest Term Bonds	2039	6.00%	15,365,000	(189,526)	15,175,474
Current Interest Term Bonds	2040	6.00%	16,290,000	(207,855)	16,082,145
Current Interest Term Bonds	2041	6.00%	27,560,000	(362,042)	27,197,958
Current Interest Term Bonds	2042	6.25%	15,980,000	(216,370)	15,763,630
Current Interest Term Bonds	2043	6.25%	17,165,000	(238,994)	16,926,006
Current Interest Term Bonds	2044	6.25%	18,425,000	(263,017)	18,161,983
Current Interest Term Bonds	2045	6.25%	19,750,000	(287,741)	19,462,259
Current Interest Term Bonds	2046	6.25%	31,620,000	(531,365)	31,088,635
Total Current Interest Bonds			$ 295,930,000	$ (3,583,992)	$ 292,346,008

Total Series 2011 Senior Lien Revenue Bonds			$ 305,929,944	$ (3,583,992)	$ 302,345,952
Subordinate Lien Term Bonds	2023	6.75%	700,000	(10,278)	689,722
Subordinate Lien Term Bonds	2024	6.75%	1,900,000	(30,485)	1,869,515
Subordinate Lien Term Bonds	2025	6.75%	2,300,000	(40,012)	2,259,988
Subordinate Lien Term Bonds	2026	6.75%	2,500,000	(46,856)	2,453,144
Subordinate Lien Term Bonds	2027	6.75%	2,700,000	(54,221)	2,645,779
Subordinate Lien Term Bonds	2028	6.75%	2,800,000	(59,965)	2,740,035
Subordinate Lien Term Bonds	2029	6.75%	3,000,000	(68,227)	2,931,773
Subordinate Lien Term Bonds	2030	6.75%	3,200,000	(76,990)	3,123,010
Subordinate Lien Term Bonds	2031	6.75%	3,500,000	(88,770)	3,411,230
Subordinate Lien Term Bonds	2032	6.75%	3,600,000	(95,962)	3,504,038
Subordinate Lien Term Bonds	2033	6.75%	3,700,000	(103,369)	3,596,631
Subordinate Lien Term Bonds	2034	6.75%	3,900,000	(113,885)	3,786,115
Subordinate Lien Term Bonds	2035	6.75%	4,000,000	(121,785)	3,878,215
Subordinate Lien Term Bonds	2036	6.75%	4,100,000	(129,838)	3,970,162
Subordinate Lien Term Bonds	2037	6.75%	4,300,000	(141,269)	4,158,731
Subordinate Lien Term Bonds	2038	6.75%	4,400,000	(149,575)	4,250,425
Subordinate Lien Term Bonds	2039	6.75%	4,600,000	(161,286)	4,438,714
Subordinate Lien Term Bonds	2040	6.75%	4,700,000	(169,281)	4,530,719
Subordinate Lien Term Bonds	2041	6.75%	10,100,000	(412,770)	9,687,230
Total Series 2011 Subordinate Lien Term Bonds			70,000,000	(2,074,824)	67,925,176
Total Series 2010 Notes Discount			-	(300,000)	(300,000)
Total Series 2011 Obligations			$ 375,929,944	$ (5,958,816)	$ 369,971,128

The amount of accumulated accreted interest on the Series 2011 CABs as of June 30, 2012 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, 2011.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total June 30, 2012
Capital Appreciation Bonds	2022	5.90%	$ 480,449	$ 28,931	$ 509,380
Capital Appreciation Bonds	2023	6.10%	1,868,357	116,339	1,984,696
Capital Appreciation Bonds	2024	6.25%	3,346,475	213,643	3,560,118
Capital Appreciation Bonds	2025	6.40%	3,183,732	208,218	3,391,950
Capital Appreciation Bonds	2026	6.50%	1,120,931	74,475	1,195,406
Total Capital Appreciation Bonds			$ 9,999,944	$ 641,606	$ 10,641,550

Draw Down Note Facility

In December 2011, the Authority entered into a Secured Loan Agreement with a bank for a secured draw down note facility in an aggregate amount up to $5 million (Draw Down Note).

The loan bears interest at the one-month LIBOR rate plus 2.85%. The Draw Down Note matures on December 15, 2015 and requires monthly interest payments on outstanding balances. Certain funds of the Authority are collateral for the Draw Down Note.

Proceeds from the Draw Down Note are to be used to pay (i) expenses of studying the cost, design, engineering, and feasibility of transportation projects, (ii) expenses associated with securing the Draw Down Note, and (iii) the reimbursement to the Authority of costs attributable to certain preliminary cost and feasibility and other expenses relating to the preparation of financing of the transportation projects incurred prior to the execution of the Draw Down Note.

During fiscal year 2012, the Authority received loan proceeds of $400,000 under the Draw Down Note.

Series 2005 Senior Lien Revenue Bonds, Series 2010 Obligations, Series 2011 Obligations and TIFIA Bond

Future payments of principal and interest on the Draw Down Note, Series 2005 Senior Lien Revenue Bonds, Series 2010 Obligations, Series 2011 Obligations and the TIFIA Bond (based on the scheduled payments) as of June 30, 2012 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Amount
2013	$ 2,870,000	$ 47,204,112	$ 50,074,112
2014	3,300,000	47,411,239	50,711,239
2015	2,488,394	47,594,314	50,082,708
2016	5,544,153	47,689,945	53,234,098
2017	6,492,352	47,665,640	54,157,992
2018 and thereafter	739,643,443	857,371,282	1,597,014,725
Total obligations	$ 760,338,342	$ 1,094,936,532	$ 1,855,274,874

Below is a reconciliation of the principal payments to the balance sheet as of June 30, 2012:

	Principal
Total obligations	$ 760,338,342
Less: unamortized premium / discount, net	1,159,649
Total Draw Down Note, Series 2005 Senior Lien Revenue Bonds, Series 2010 Obligations, Series 2011 Obligations and TIFIA Bond	759,178,693
Less: Bonds Payable - Current Portion	(2,870,000)
Total Non-Current Portion	$ 756,308,693

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 has not accrued any rebatable arbitrage as of June 30, 2012.

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 a governmental risk pool 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 2012 and 2011.

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. For 2012 and 2011, 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 14% and 14.50% of gross pay for 2012 and 2011, respectively, which totaled $261,951 and $250,475 for 2012 and 2011, respectively.

8. Disaggregation of Receivable and Payable Balances

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2012 and 2011. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2012 and 2011.

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 $55,416,489 and $31,106,287 in TexSTAR as of June 30, 2012 and 2011, respectively.

10. Commitments and Contingent Liabilities

Commitments

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:

2013	$	62,120
	$	62,120

The Authority's total rental expense for fiscal years 2012 and 2011 amounted to $211,666 and $185,771, respectively.

Litigation

The Authority is involved in other miscellaneous litigation arising in the normal course of business and the Authority's management believes there are substantial defenses against these claims. The Authority believes the resolution of these lawsuits will not have a material adverse effect on its financial statements.

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, 2012 and 2011, the receivable from the TxDot authority comprises approximately 17% and 88% respectively, of the total balance due from other agencies. Due to the maturity of multiple United States government securities held by the Authority at the end of fiscal year 2012, the Authority had a substantial balance due from the United States Treasury (US Treasury) that was funded to the Authority in July 2012. As of June 30, 2012 and 2011, the receivable from the US Treasury comprises approximately 79% and 0%, respectively, of the total balance due from other agencies.

		2012		2011
TxDot	$	2,310,311	$	5,158,130
US Treasury		10,997,000		-
Other Agencies		555,886		722,606
Total	$	13,863,197	$	5,880,736

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Supplemental Schedule - Indenture Cash Flow and Debt Service Coverage

For the year ended June 30, 2012

(Unaudited)

Toll Revenues		$ 23,603,505	
Other Revenues		1,676,164	[1]
Interest Income Available to Pay Debt Service		190,933	
Total Revenues		25,470,602	
Less: System Operating Expenses		(6,499,939)	
Revenues Available for Rate Covenant and Additional Bonds Tests		18,970,663	
Net Senior Lien Debt Service	$ 8,897,125		
Net Subordinate Lien Debt Service	5,459,784 [2]		
Total Net Debt Service	14,356,909		
Debt Service Coverage Ratio for Rate Covenant and Additional Bonds Test			
Senior Lien Obligations	2.13		
Senior and Subordinate Lien Obligations	1.32		
Less: System Maintenance Expenses		(967,138)	
Revenues Available for Debt Service		18,003,525	
Debt Service Coverage Ratios for Revenues Available for Debt Service			
Senior Lien Obligations	2.02		
Senior and Subordinate Lien Obligations	1.25		
Less: Total Net Debt Service		(14,356,909)	
Less: Deposits to Renewal and Replacement Fund		-	
Less: Debt Service Payments on Other Obligations		-	
Annual Excess		$ 3,646,616	

[1] Grant revenues of approximately $27.6 million is excluded from "Other Revenues" as such grant revenues are restricted for purposes other than debt service obligations. Only HERO grant revenues are included in "Other Revenues" above as the corresponding expenses are included in "System Operating Expenses" and the amounts net to zero.

[2] The amount shown is net of any federal subsidy payments received and used to pay debt service on Other Obligations.