

A Finely Tuned Operation



**Finely tuned. Reliable.
Engineered and built to the highest standards.
Responsive. Performing beyond expectations.**

These are not only attributes of a world-class automobile, but also of a world-class organization that makes the road of life smoother for drivers and the communities it serves: the North Texas Tollway Authority.

In 2006, the NTTA again demonstrated high performance:



NTTA[®]
NORTH TEXAS TOLLWAY AUTHORITY

- Steering to drivers' destinations along a network of more than 50 miles of state-of-the-art toll roads, with more projects planned and under construction.
- Quickening the pace of travel and easing traffic congestion.
- Building safety into our roadways and facilities.
- Accelerating the growth of the entire North Texas economy.
- Handling any twists and turns with solid financial strength.
- Navigating the road ahead with the vision of a clear strategic plan.

The NTTA is an engine of transportation and commerce, driven by the needs of our many stakeholders—motorists, communities, government and transportation authorities and bond holders. The NTTA has carefully assembled an array of components, all interacting and working together with precision, purpose, and balance. A polished, streamlined machine with a clear mission: improving mobility in North Texas.





COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended December 31, 2006



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INTRODUCTORY SECTION



NORTH TEXAS TOLLWAY AUTHORITY

Paul N. Wageman
Chairman

Jack Miller
Vice Chairman

Gary Base
Director

David R. Denison
Director

William W. Meadows
Director

Robert Shepard
Director

Alan E. Sims
Director

Jerry Hiebert
Acting
Executive Director

Rick Herrington
Acting Deputy
Executive Director

Susan A. Buse
Chief Financial Officer

Debbie Smith
Secretary

April 13, 2007

Chairman Paul Wageman, and
Board of Directors
North Texas Tollway Authority

The Finance Department of the North Texas Tollway Authority (the Authority) is pleased to submit the Fiscal Year (FY) 2006 Comprehensive Annual Financial Report (CAFR) for the Dallas North Tollway System (the System). The purpose of this report is to provide bondholders, board of directors, management, staff, the public and other interested parties with detailed information reflecting the System's financial condition at December 31, 2006.

FY 2006 saw the System's continued change and growth along with the North Texas region; the ongoing construction of the Dallas North Tollway Extension Phase 3 and the beginning of the Lewisville Lake Toll Bridge. A full year of operations for the President George Bush Turnpike Segment IV (Super Connector) and continued growth in traffic, toll revenues exceeded \$191 million, exceeding 2005 toll revenues by 11.0%. This increased revenue allows the System to preserve current assets, fund capital improvement projects, such as the DNT South End Improvements, and invest in safety and technology to provide our patrons world-class service.

The operations of the System are accounted for as an enterprise fund in accordance with the Trust Agreement and accounting principles generally accepted in the United States of America. Management takes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Management confirms that the financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2006. Please refer to the Management's Discussion and Analysis (MD&A) on pages 3-11 of this report for the detail discussion of the System's financial performance.

This CAFR complies with Section 711 of our Trust Agreement, which states that each fiscal year the Authority will cause an audit to be made of its books and accounts relating to the System for the previous fiscal year by an independent certified public accountant of recognized ability and standing. The 2006 audit was performed by our independent auditors, KPMG LLP. The auditors' report is on pages 1 and 2 of the Financial Section.

We wish to thank all members of the Finance Department and all NTTA staff for their contribution to the production of this report. We are thankful for our Board of Director's support, direction, and for giving us the resources to finely tune our operations.

Respectfully submitted,

Jerry Hiebert
Acting Executive Director

Susan A. Buse
Chief Financial Officer

Armando Garza
Director of Finance

P.O. Box 260729
Plano, TX 75026

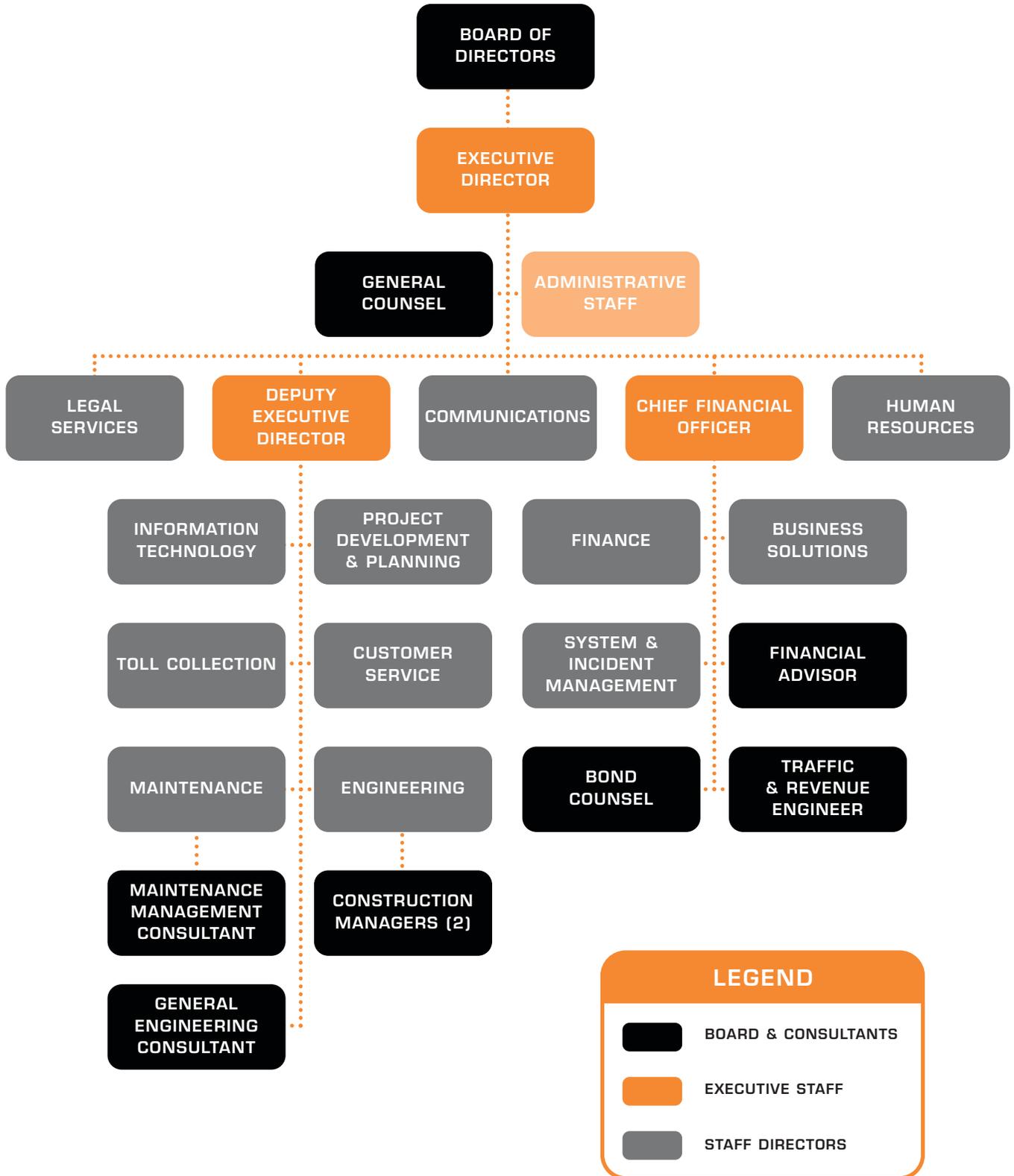
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Plano, TX 75093

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www.ntta.org

ORGANIZATION CHART





From left to right, Board Members:
Alan E. Sims, Gary Base, Jack D. Miller, Paul N. Wageman, David R. Denison, Robert K. Shepard and William W. Meadows

The North Texas region's population continues to grow. North Texas residents travel farther for everyday activities. Motorists feel increasingly pressed for time. More than ever, people need a dependable, safe, comfortable, quick-moving way to get where they're going.

The North Texas Tollway Authority (NTTA) has been the vehicle by which North Texans have come to enjoy the benefits of a network of some of the finest toll roads and facilities in the world. For the NTTA, 2006 was a pivotal time for defining and refining what that vehicle would look like as it moves forward to fulfill its unchanging mission and to work with other transportation stakeholders in the North Texas region.

The NTTA has a five-year strategic plan that was implemented in 2006. It establishes where we are headed and how we will get there. From 2006 through 2011, our focus will be to:

- Enhance regional mobility through the development and implementation of transportation improvements and toll facilities.
- Implement cost-effective services and solutions that provide the NTTA's customers, employees and constituents with the highest levels of service, safety and satisfaction.
- Be the provider of choice for financing, developing and operating toll facilities within our jurisdiction.
- Build strategic partnerships that expand our capacity to deliver services and solutions to customers within and outside our jurisdiction.
- Promote a safe, pleasant and progressive work environment, providing opportunities to advance and be compensated according to one's abilities and performance.

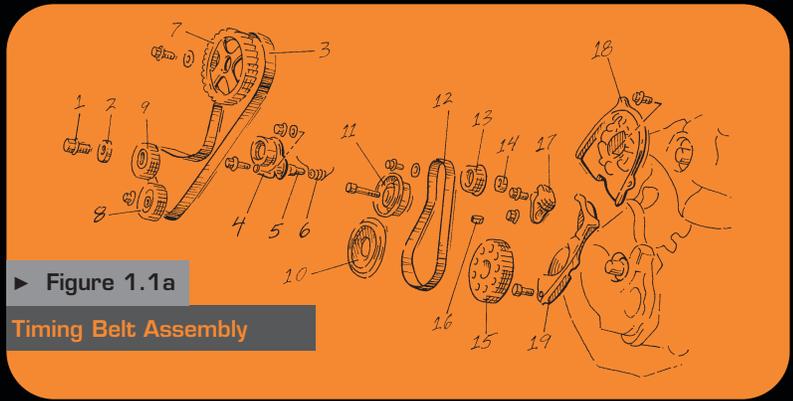
This plan involves four major objectives.

1. Leadership—NTTA will continue to be a leader in regional mobility and the toll industry.
2. Relationships with Stakeholders—NTTA will gain recognition as a regional asset that provides the public, the Texas Department of Transportation (TxDOT), elected and appointed leaders with tolling solutions that reduce demand on TxDOT resources and increase the efficient use of government resources.
3. Entrepreneurship—NTTA will create a new business model that delivers responsive, cost-effective, on-time, on-budget, locally accountable tolling solutions.
4. Stewardship of resources—NTTA will achieve the highest and best use of human, financial and material resources in its core business operations.

In 2006, the NTTA made significant progress toward each of these objectives.

With clear vision and a sharpened focus, the NTTA is moving ahead as a finely tuned operation.

The Timing Belt is at the front of an engine, but often goes unnoticed as it does its vital work. It enables the valves, camshafts, pistons, ignition, fuel delivery, and exhaust systems—in other words, the entire engine—to work together, with every part moving at exactly the right instant for perfect interaction, propelling the vehicle forward.



► **Figure 1.1a**
Timing Belt Assembly

LEADERSHIP



The NTTA's roots in North Texas go back 50 years, to the construction and operation of the region's first toll road. Now, when people in North Texas think about toll roads they think of the NTTA and the orange circle T.

The in-depth strategic plan we developed makes clear our commitment to bring optimal solutions to the motorists, businesses and communities of North Texas.

With the Lewisville Lake Toll Bridge, the NTTA is working cooperatively with Denton County, TxDOT, the U.S. Army Corps of Engineers and the cities of Little Elm, Frisco and Lake Dallas. We have completed the permitting stage and awarded the contract for construction. The tied-arch bridge will become a signature landmark for Denton County.

On the Southwest Parkway, a vital north-south thoroughfare linking downtown Fort Worth in Tarrant County ultimately with Cleburne in Johnson County, the design stage is well underway, incorporating distinctive aesthetic features.

Final design is underway on the President George Bush Turnpike (Bush Turnpike) Eastern Extension. Right-of-Way funding will be provided by TxDOT through a toll equity grant, bolstering the development of that important project.

Even the finest machines need periodic maintenance to continue performing at peak levels. In 2006, we began renovating the oldest section of road in our system, the south end of the Dallas North Tollway (Tollway). The renovation includes a \$50 million upgrade and reinvestment

of the southernmost sections of the Tollway and the Wycliff Avenue Toll Plaza, which are more than 40 years old.

We also applied value-engineering practices to the design of current and future toll plazas, making them easier and less expensive to build. In early 2007, to ease traffic congestion during the Tollway south end renovation, the NTTA initiated the "ZipCash" program at the Wycliff Avenue Toll Plaza, allowing cash customers to be billed through license plate records, eliminating the delay caused by cash lines.

Intelligent Transportation System

The NTTA assembled industry-leading technology to create a one-of-a-kind Intelligent Transportation System (ITS) that minimizes delays, increases safety and provides motorists with real-time information about traffic and road conditions. After a pilot test in 2005, the first phase of the full-capability ITS was placed into service in 2006.

The heart of the ITS is a digital video system for monitoring the roadways, coupled with incident detection software that can recognize a stalled car, an accident, debris, or a pedestrian and alert a dispatcher within 30 seconds. Dynamic message signs can immediately let motorists on the road know about accidents or delays ahead. In addition, we can respond with the proper equipment and personnel for each particular incident, allowing us to use our resources most efficiently. Our ITS even includes pavement sensors that can detect rain and ice, and alert NTTA personnel and motorists of possible hazards.



The NTTA functions quietly but powerfully, at the forefront of providing fiscally sound, innovative, efficient, and user-friendly toll facilities, services and solutions. The NTTA is also actively engaged in leadership and planning for the mobility needs of the entire North Texas region.



The NTTA's Intelligent Transportation System is one of the most advanced in the country. While in office, former United States Secretary of Transportation Norman Mineta visited our facilities to observe first-hand the leading edge of transportation management technology.

Customer Service Center

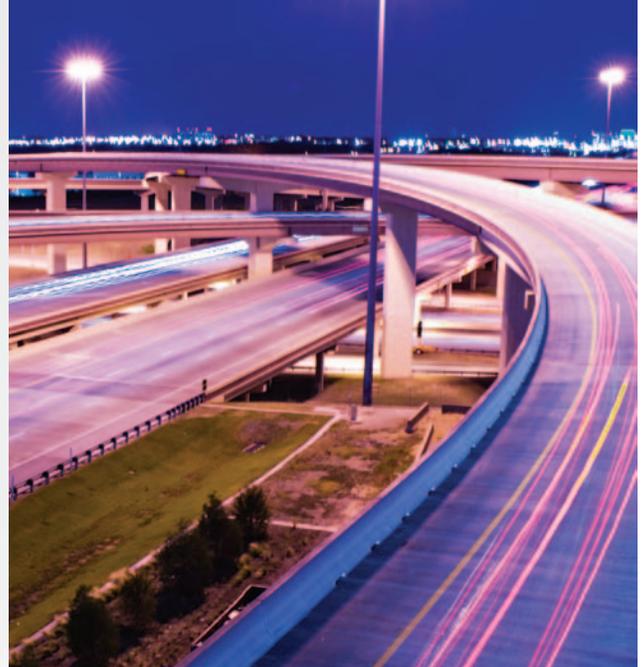
The NTTA's Customer Service Center (CSC) was certified as one of the top 50 "Best of the Best" for 2006 by ContactCenterWorld.com, the leading support organization for the contact center industry around the world.

In 2006, the CSC handled over 1.85 million contacts with customers, more than a 15-percent increase from 2005. This was accomplished with only a three-percent increase in staffing, indicating a significant boost in productivity. Once again, the NTTA is using technology to better serve our customers. Increased functionality of our Web site, combined with automated voice recognition telephony, allows customers to access and manage their accounts 24 hours a day. In 2006, 30 percent of our customers selected these self-service options compared to 27 percent the previous year, reducing our costs per contact.

Paving the Way

In 2006, we implemented new pavement engineering standards that will both enhance the driving experience and reduce maintenance costs. The NTTA will produce a pavement manual incorporating these industry-leading practices.

When it comes to services and solutions that shape the toll road industry, the NTTA is driving to set the pace.



accomplishments

- Adopted a 2006-2011 Strategic Plan, unprecedented in its breadth and scope
- Lewisville Lake Toll Bridge:
 - Finished permitting process
 - Revised design and finishes for tied arch and approaches
 - Awarded contract for construction
 - Financing through commercial paper program
- Progress on the Bush Turnpike Eastern Extension:
 - Revenue sharing idea completed, different toll growth rate considered
 - Toll equity grant/two-party agreement submitted to TxDOT
 - TxDOT brings Right-of-Way funding, further supporting the project
- Southwest Parkway:
 - Five design contracts begun, proceeding through 60% design, landscape design also underway
 - Feasibility improves as Investment Grade Traffic & Revenue study is completed, including adjusted demographics and consideration of different toll growth rate
- Began Tollway south end improvements
- Opened north bound and some south bound Tollway short-term modifications; work continues on south bound projects
- Completed forensic analysis of Bush Turnpike Las Colinas wall failure and bid project for wall replacement
- First phase of ITS improvements (cameras, dynamic message signs) completed
- Chose new plazas for Tollway ramp plazas on south end
- Reworked Main Lane Plaza (MLP) designs, making them easier and less expensive to build
- Customer Service Center named to the top 50 "Best of the Best"
- Changed pavement engineering standards:
 - Best practices investigated throughout industry
 - Amended Tollway Phase III pavement and subbase to gain maintenance savings
 - Will produce pavement manual incorporating these industry-leading best practices

RELATIONSHIPS WITH STAKEHOLDERS

The NTTA is dedicated to serving our motorists, communities and employees; in addition, we work cooperatively with elected and appointed officials, and numerous government and transportation entities for solutions that benefit the entire region.

Because we have always been based in this area, we are locally accountable for the use of financial and environmental resources. We bring a regional perspective to statewide and national discussions about issues such as traffic-congestion relief, air quality and integrated mobility solutions.

Agencies & Municipalities

In 2006, we negotiated and signed multiple agreements that established standard protocols and services to ensure North Texans benefit from the NTTA's long-standing service as the region's toll provider.

The NTTA negotiated the first tolling services agreement in this region. The NTTA will enter into that agreement with the developer of State Highway 121 for the NTTA to administer all-electronic toll collection, even for motorists without NTTA TollTags.

We signed or authorized interlocal agreements with the three cities that will be involved in construction of the Eastern Extension of the Bush Turnpike – Rowlett, Sachse and Garland.

To clearly define and strengthen the NTTA's vital role in the region's transportation interests, the Board of Directors adopted a legislative agenda that identified resolution to governance issues and to more closely reflect current and future conditions, including the possibility of the NTTA growing into other counties.

Economic Impact on Communities

Even the most casual look at the development that occurs alongside our roadways reveals the obvious growth that follows tollway construction. A 2006 study

conducted by the University of North Texas Center for Economic Development and Research quantifies that economic impact.

The Tollway and the Bush Turnpike are among the largest public infrastructure projects undertaken in Dallas during the past fifty years.

- Adjusted for inflation, outlays to build the Tollway and the Bush Turnpike approach \$1.6 billion.
- Construction will have supported about 25,000 person years of employment and added almost \$2.6 billion to the regional economy.
- Annual operations of the NTTA generate about \$88 million in economy activity while supporting over 1,000 jobs.

Most significant has been the size and pace of residential and commercial development adjacent to the two thoroughfares.

- Since construction began on the first segment of the Tollway in the 1960s, about \$28 billion of valuation has been added to the Dallas, Collin and Denton County tax rolls.
- This valuation currently generates about \$562 million annually for the counties, cities and school districts that abut the Tollway and the Bush Turnpike.

The economic benefits of our roadways reach far beyond the convenient thoroughfares and into the communities we serve.

Communications

The NTTA developed a comprehensive communication plan that identifies key stakeholders and messages. Communications vehicles include media, timely newsletters, e-mail and surveys.

The Driver's Seat is more than just vehicular furniture. It adjusts in numerous ways to accommodate the requirements and preferences of different individuals. A properly appointed seat provides necessary support, makes the driver comfortable for the journey, and enhances the overall driving experience.



► Figure 2.1a

Bucket Seat Assembly



Customer Experience

With a continuous goal of understanding and satisfying our customers, the NTTA broadened its customer experience management project to gain valuable information on how to improve our facilities and operations for NTTA customers. This included the initiation of a “Mystery Driver” program in May of 2006. Developed specifically for the NTTA, this program consists of monthly surveys of 3,000 drivers who have registered to participate. In addition, 25 to 30 drivers are randomly selected to log their opinions in several key areas. Optimizing the customer experience is an organization-wide initiative for the NTTA.

Roadway Security

To assure that our roadways and facilities remain as safe and secure as possible, in 2006 more than 400 employees in our Toll Collection, Maintenance and Command Center operations completed the Highway Watch security awareness training in coordination with the federal Department of Homeland Security.

Reaching More Customers and Communities

Planning studies are currently underway for Phase 4 and Phase 5 of the Tollway, which will extend the road into Grayson County.

A Supplemental Draft Environmental Impact Statement (SDEIS) has been issued for the Trinity Parkway project, bringing it one step closer to easing traffic congestion near downtown Dallas.

In addition, a fourth lane for the Bush Turnpike has been included in 2030 plans by the North Central Texas Council of Governments.

By reaching more customers and communities, the NTTA is rapidly taking drivers into the future.

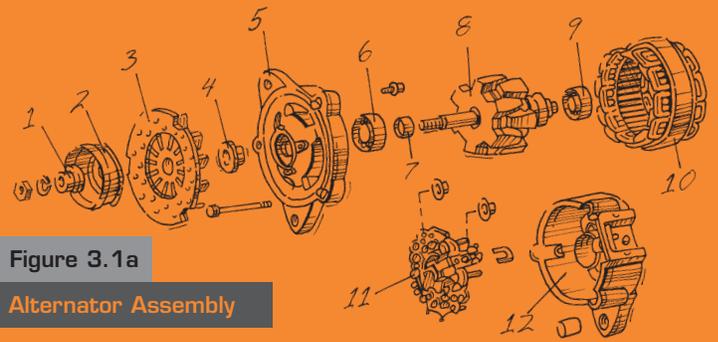
accomplishments

- Completed agreements for Regional Protocol:
 - Kept NTTA projects
 - Converted agreement to a Memorandum of Understanding
 - Completed Tolling Services Agreement for SH 121
 - Began Mobility Planning Partnership process for five regional projects
- Three city interlocal agreements either signed or authorized for Bush Turnpike Eastern Extension
- Adopted legislative agenda:
 - Identified resolution for governance changes
 - Governance changes have potential for clearing objections to growing NTTA into other counties
 - More assertive agenda
- Completed and publicized findings of economic impact study conducted by University of North Texas
- Developed comprehensive Communication Plan:
 - Identified target audiences
 - Developed performance metrics
- Facilitated Board transition with new leadership and new members through on-boarding programs and productive staff Board work
- 402 employees in Toll Collection, Maintenance and the Command Center completed Highway Watch security awareness training in coordination with Homeland Security Department
- Began “Mystery Driver” program to gain information on customer experiences
- Adopted non-revenue TollTag policy
- Planning studies underway for Phase 5 of the Tollway in Grayson County
- Supplemental Draft Environmental Impact Statement issued for the Trinity Parkway project
- Future fourth lane for Bush Turnpike included in 2030 plans by the North Central Texas Council of Governments

There are many stakeholders sharing the ride on the NTTA's road to develop effective transportation solutions. The NTTA moves to provide a clear view of the road through targeted communications programs. We continuously work to bolster safety and security. And we develop and support cooperative plans to make the journey smoother for every stakeholder.



The Alternator generates electricity. Driven by a belt from the engine, the alternator in turn uses that motion to generate the current that keeps the vehicle running. The alternator energizes the electrical system, charges the battery, and provides power to systems from the headlights to the power windows.



► **Figure 3.1a**
Alternator Assembly

ENTREPRENEURSHIP

The environment in which the NTTA operates is changing substantially. Rapidly advancing technology, a continuously evolving political mandate and competition from private-sector operators all present challenges—and opportunities.

The NTTA is dedicated to developing innovative responses and initiatives, while at the same time maintaining its high level of security for bond holders and affordability for customers. At the NTTA, we are committed to creating and enhancing cost-effective solutions that will both strengthen our primary focus—service and support for local constituencies—and also leverage our solutions to generate additional revenue and minimize the investment of local resources.

Regional Mobility Partnership Plan (RMPP)

The RMPP was proactively developed by the NTTA in 2005 as a means of addressing the region-wide shortfall of highway funding from state sources. In 2006, the plan was implemented, setting toll rates for 2007 and 2010 and incorporating adjusted demographics and toll rate increases into future project feasibility analysis.

International Bridge, Tunnel and Turnpike Association (IBTTA)

The NTTA hosted the 2006 worldwide conference of the IBTTA and received one of its top awards, the Toll Excellence Award, in recognition of the NTTA's innovative program for TollTag interoperability with Dallas/Fort Worth (DFW) International and Dallas Love Field Airports.

In presenting the award, the IBTTA noted, “The nature of the agreements between the NTTA and DFW, and

the NTTA and Love Field, is an exemplary model of successful governmental relations and a textbook case study in the ability of focused, determined public organizations working together for the benefit of their mutual constituents/customers.”

In 2006, the NTTA added toll lanes, parking areas and even developed functionality to allow ground transportation systems, such as taxicabs and shuttle buses, more TollTag usage opportunities at the airports.

Statewide Interoperability

In order to enable true statewide interoperability, the NTTA developed an Interoperability Hub, eliminating the need for direct peer-to-peer transactions. With this hub system, each agency connects only to the hub, not to every other agency. In addition to the NTTA and the Harris County Toll Road Authority, the Texas Turnpike Authority joined the interoperability network. Also, the Central Texas Regional Mobility Authority began testing the system in 2006 for implementation in 2007.

Interoperability Hub doesn't require interlocal agreements between every city, so it can truly be an interoperability solution for the entire state of Texas and beyond.

Public/Private Partnerships

The future of toll road management will necessitate public and private entities both competing and cooperating with each other. The NTTA has already developed policies for bringing private partners into projects. We have even developed a cost accounting module that enables the preparation of tolling services agreements—a necessary part of any public/private partnership.



An entrepreneurial spirit at the NTTA is generating new ideas, energizing the system, and illuminating the road into the future. From electrifying proprietary technologies, to enlightening familiar processes, to pursuing fresh opportunities, the NTTA is harnessing the power of innovation.



All-Electronic Toll Collection

The NTTA formed partnerships within the region to develop an all-electronic toll collection system. The same technology will be incorporated on the Southwest Parkway in Tarrant County, eliminating the expense of building and operating toll plazas. This will save capital and operating expenses and speed the toll collection process for our customers.

Rental Car Program

Rental cars present a difficult challenge to any tolling authority. If the driver doesn't pay a toll, the owner of the car (the rental agency) receives the violation notice. After that point, getting the true violator—the driver—to pay involves time-consuming effort and paperwork.

In 2006, the NTTA piloted a program with two car rental agencies that allows their customers to sign up to use the NTTA's express toll lanes, similar to the way these companies offer optional insurance. The program worked so well that the rental car agencies expanded it into other areas in Texas. The NTTA's innovative approach has produced a cost-reducing, revenue-enhancing solution for both industries.

The NTTA continues to energize the industry by generating innovation through interoperability, partnerships and technological solutions.



accomplishments

- Issued final RMPP report, began implementation:
 - Incorporated adjusted demographics and toll rate increases into project feasibility analysis
 - Adopted toll policy
 - Set toll rates for 2007 and 2010
- IBTTA Conference in Dallas:
 - Most successful meeting yet, following years of planning
 - Toll Excellence Award for airport interoperability
 - Technical tours showcased facilities and technology for U.S. and international toll industry
- Constructed new computer center with space for staff, new server farm and emergency generator
- Statewide interoperability enhanced through an Interoperability Hub, now in place with NTTA, Texas Turnpike Authority and Harris County Toll Road Authority
- Adopted public-private-partnership policy to provide structure for bringing private partners into projects
- Completed cost-accounting module, which was essential to finalizing the SH 121 Tolling Services Agreement
- Adopted Project Estimation Policy, incorporating industry cost trends into all capital project planning
- Adopted recommendations from concrete finishes initiatives, saving substantial dollars over time
- Applied All-Electronic Toll Collection to Southwest Parkway, saving capital and operating expenses
- Introduced an expanded rental car tolling pilot projects

STEWARDSHIP OF RESOURCES

As a public authority, the NTTA embraces a high standard of care for the assets placed in our trust. These assets include the time and energy of NTTA people, the funds provided by bond holders and the driving public, and the physical infrastructure assets belonging to the people of North Texas.

Corporate Organization

In 2006, we created a Business Solutions department and a Project Development and Planning department to help maximize productivity. We also created a Security and Incident Management department to assure the safety of our assets and the people using them. Our Maintenance, Communications, Project Development and Human Resources departments developed long-range plans to guide budgeting, capital and staffing decisions.

To improve the customer experience, we increased the functionality of our Web site. Customers have easier access to information such as traffic conditions and planned lane or road closures. The online customer service portal was enhanced, to provide customers more options to quickly find and use information and manage their accounts.

Valuable Employees

Another important initiative in 2006 was the creation of a Leadership and Team Development Program for selected staff members to improve their overall performance as individuals and as team leaders. During the year, we also began surveying all employees regularly in order to identify and address personnel issues and recognize employees for their accomplishments.

To be certain we are competitive in the job market, Human Resources conducted a comprehensive study of job classifications and salaries, involving hundreds of surveys and interviews. In addition, the Board adopted

changes in the vesting schedules for the NTTA's 401(k) program to further enhance recruitment and retention. With these efforts complementing the NTTA's strong culture of teamwork, our employee turnover rate for 2006 was 16 percent, reducing costly turnover and training expenses.

Contract Procedures

In 2006, we carefully reviewed our internal procurement process to improve consistency, productivity and accountability. Major consulting and service contracts were awarded for maintenance management consulting, construction management and total routine maintenance for the Bush Turnpike.

Efficiency Through Technology

Through increased use of technology at toll plazas and improved collection methods, the calculated violation rate dropped by a full percentage point to less than 3%, resulting in additional collected revenues.

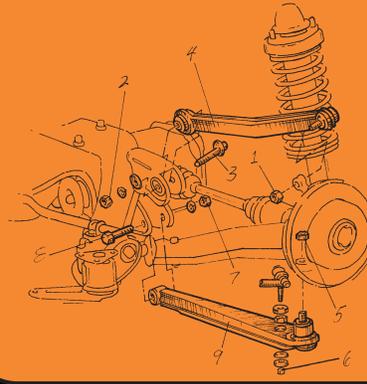
The NTTA was able to significantly reduce training costs through an expanded array of DVD and computer-based training programs.

We updated and improved our police radio infrastructure to increase coverage by more than 50 percent, an investment in the safety of the officers and the public.

We upgraded more than 500 video cameras for security and incident detection to Internet Protocol, tremendously reducing the need for server storage space.

Also in 2006, the NTTA established an alternate Command Center, a needed redundancy in case of destruction or evacuation. By reutilizing older NTTA equipment, it was made operational without any additional equipment costs.

The Suspension is integral to comfort and control. It supports the weight of the vehicle and minimizes the impact of bumps, dips, and rough patches. It is vital for safe and secure handling that allows the driver to negotiate the road under any conditions.



► Figure 2.1a

Rear Suspension Assembly



Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Dallas North Tollway System, an enterprise fund of the North Texas Tollway Authority, for its comprehensive annual financial report for the fiscal year ended December 31, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our 2006 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

For 2006, we completed the year for expenditures under budget and revenues over estimates.

Through the careful stewardship of resources, the NTTA provided stakeholders with a smooth ride.

accomplishments

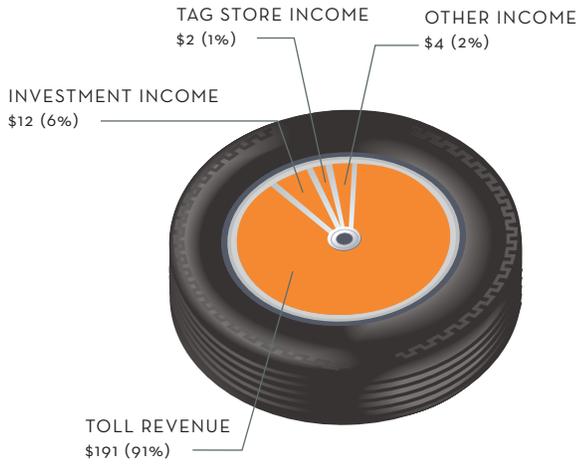
- Organizational changes:
 - Creation of Business Solutions, Security and Incident Management and Project Development and Planning departments
 - Legal Services and Communications departments reorganized
 - Long-range plans adopted for Maintenance, Communications, Project Development and Human Resources departments
- NTTA Web site improvements launched, improving information and enhancing customer service portal to expand customer self-help options
- NTTA staff members began a Leadership and Team Development Program to improve their overall performance as individuals and as team leaders
- Conducted comprehensive study of job classifications and salaries, involving hundreds of surveys and interviews
- Renewed maintenance management consultant contract
- Awarded a new collection agency contract to new firm, gaining operational savings
- Finalized contracts with construction management firms, including a new firm on the team
- Awarded a new total routine maintenance contract for the Bush Turnpike to new firm
- Began using PDAs to log violations by lane runners
- Increased vault operations and Customer Service Center efficiencies
- Internal procurement process reformed to gain consistency, productivity and accountability
- New HelpDesk services for internal Information Technology users provided through new web-based software and increased staffing
- Adopted changes in vesting schedules for 401(k) program to enhance recruitment and retention
- Arranged expanded array of computer-based training programs for employees
- Excellence in financial performance and reporting:
 - Comprehensive Annual Financial Report recognition for first financial report submitted to GFOA
 - Unqualified audit
 - 2006 completed with expenses under budget and revenues over estimates
 - 2007 budget adopted with additional flexibility

The NTTA has valuable experience, proven expertise and financial strength, allowing us to pursue our goals. Through twists and turns, across peaks and valleys, the NTTA delivers with efficient performance.

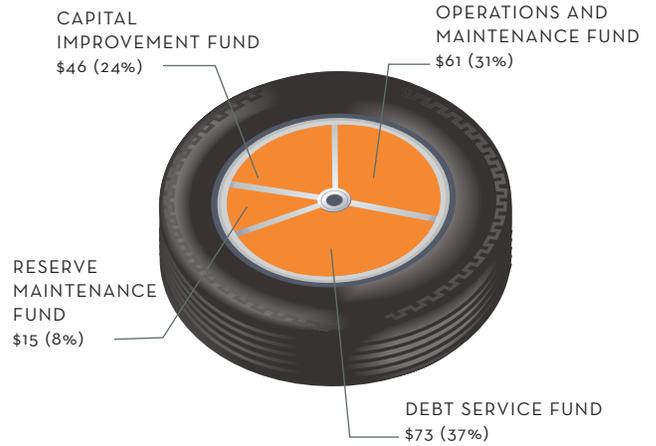


FINANCIAL INFORMATION

2006 NTTA REVENUES
IN MILLIONS



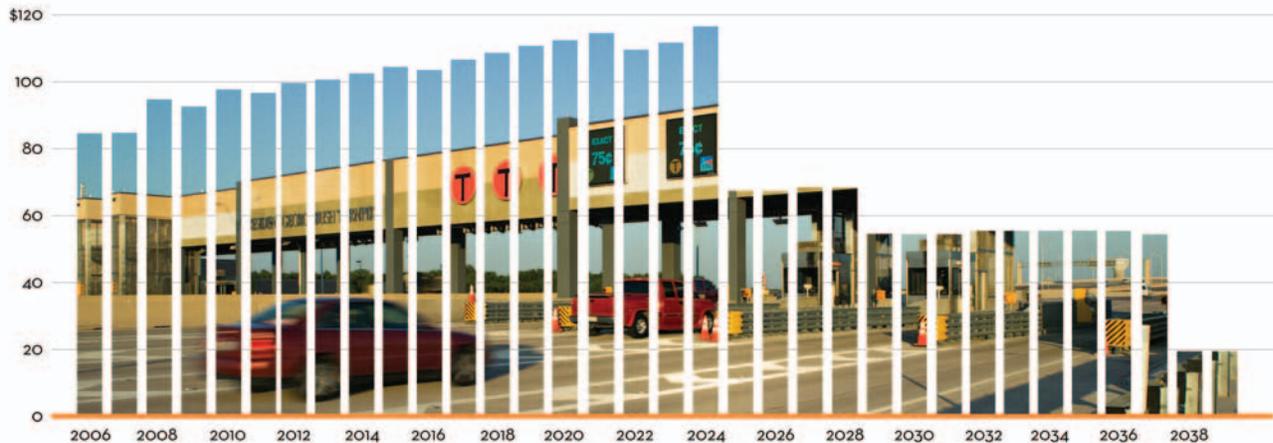
2006 REVENUE DISTRIBUTION
IN MILLIONS



REVENUE GROWTH
IN MILLIONS



DEBT SERVICE
IN MILLIONS





FINANCIAL SECTION



**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Basic Financial Statements and Supplementary Data

December 31, 2006

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 3100
717 North Harwood Street
Dallas, TX 75201-6585

Independent Auditors' Report

North Texas Tollway Authority
Dallas North Tollway System:

We have audited the accompanying statement of net assets of the Dallas North Tollway System (the System), an enterprise fund of the North Texas Tollway Authority (the Authority) as of December 31, 2006 and the statement of revenues, expenses, and changes in net assets and the statement of cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 System'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1(a), the financial statements present only the System, an enterprise fund of the Authority and do not purport to, and do not, present fairly the financial position of the Authority as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System, an enterprise fund of the North Texas Tollway Authority as of December 31, 2006, and the changes in its financial position and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the Modified Approach – Infrastructure Assets on pages 41 through 43 are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The supplementary information included in schedules 1 through 9 for the year ended December 31, 2006 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1 and 6 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Schedules 2, 3, 4, 5, and 7 through 9 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

March 16, 2007

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

As financial management of the Dallas North Tollway System (the System), which consists of the Dallas North Tollway (DNT), the President George Bush Turnpike (PGBT), the Mountain Creek Lake Bridge (MCLB), the Addison Airport Toll Tunnel (AATT), and the Lewisville Lake Toll Bridge (LLTB), the enterprise fund of the North Texas Tollway Authority (the Authority), we offer readers of these financial statements a narrative overview and analysis of the financial activities of the System for the years ended December 31, 2006 and 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read it in conjunction with the financial statements, which immediately follow this section.

Using This Annual Report

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements, notes to the financial statements, and required supplementary information. The financial statements of the System report short and long term information using accounting methods consistent with reporting for an Enterprise System similar to those used by private sector companies.

Statement of Net Assets: This statement presents information on all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are useful indicators of whether the System's financial position is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Assets: This statement presents information showing the System's revenues, expenses, and how the net assets changed during the year.

Statement of Cash Flows: This statement presents information about the System's cash receipts and cash payments, or, in other words, the sources and uses of the System's cash and the change in cash balance during the fiscal year.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other: Certain required supplementary information is presented to disclose trend data on the System's infrastructure condition. Additionally, certain financial schedules are presented by Trust Accounts and in accordance with the Authority's Trust Agreement.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

Financial Results and Analysis

2006 Highlights

- Toll revenues increased approximately eleven percent (11.0%) and seven point four percent (7.4%) in FY 2006 and FY 2005, respectively. Traffic volumes on the System continue to increase.
- The System's overall financial position improved in 2006, as indicated by the \$16.4 million increase in net assets.
- Administration and Operations expenses were under budget by five point eight percent (5.8%) and six point one percent (6.1%) in FY 2006 and FY 2005, respectively.
- Debt service coverage for FY 2006 and FY 2005 was 1.98x, and 1.80x, respectively.
- Issued \$25.0 million of Commercial Paper in December 2006 and transferred to the Authority's Feasibility Study Fund to finance the feasibility study and design of Southwest Parkway and PGBT Eastern Extension projects.
- The Authority exercised the option to redeem the Series 2005B Bonds maturing on January 1, 2016 and 2017 in the aggregate principal amount of \$2.7 million.
- An escrow account was created for the defeasance of a portion of the Series 2003B and 2003C in the amounts of \$9.8 million and \$1.0 million, respectively.
- The \$122.2 million Lewisville Lake Toll Bridge project was incorporated into the System and the construction contract awarded on September 27, 2006.

Summary of Operations

Total operating revenues were \$198.1 million and \$177.6 million for FY 2006 and FY 2005, respectively. (See Table A-1.) System toll revenues for FY 2006 were \$191.4 million, an eleven percent (11.0%) increase over FY 2005 compared to a seven point four percent (7.4%) increase in FY 2005 over FY 2004. Approximately seventy-five point two percent (75.2%) was collected electronically during FY 2006 compared to seventy two percent (72.0%) in FY 2005. Traffic on the System continues to grow, with approximately 1,020,900 and 932,200 average daily transactions in FY 2006 and FY 2005, respectively.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

Total operating expenses before depreciation for FY 2006 were \$116.2 million; representing a twenty three point five percent (23.5%) increase over FY 2005. Bond Interest expense, net of capitalized interest, for 2006 was \$53.4 million, a three point three percent (3.3%) decrease from FY 2005. Debt service coverage for FY 2006 and FY 2005 was 1.98 and 1.80 times debt service, respectively. The Trust Agreement requires bond principal and interest coverage of 1.00 during construction years and the Authority's Debt Policy sets a coverage goal of 1.35.

Table A-1

Changes in Net Assets

(In millions of dollars)

	2006	2005
Operating revenues	\$ 198.1	177.6
Operating expenses before depreciation	116.2	94.1
Income from operations, before depreciation	81.9	83.5
Net nonoperating revenues (expenses):		
Interest income	16.6	13.9
Interest expense	(53.4)	(55.2)
Other	(28.7)	(8.9)
Net nonoperating revenues (expenses)	(65.5)	(50.2)
Changes in net assets	16.4	33.3
Net assets beginning of year	505.0	471.7
Net assets end of year	\$ 521.4	505.0

Operations: Total operating expenses before depreciation for FY 2006 were \$116.2 million; representing a twenty-three point five percent (23.5%) increase over FY 2005 expenses of \$94.1 million. (See Table A-1.) During 2006 an additional 29 full time employees were added. A majority of the additional employees, seventy-five point nine percent (75.9%) were to support the continued customer service effort. Health benefit costs increased due to the additional employees and higher premiums. Employee related expenses account for twelve point four percent (12.4%) of the increase. Pavement rehabilitation, the creation of a new data center and other maintenance projects account for sixty-seven percent (67.0%) of the increase. FY 2006 included one full year of operating expenses for PGBT Segment IV that opened in September 2005.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

Net assets at December 31, 2006 surpassed \$521.4 million, a three point two percent (3.2%) increase over December 31, 2005. (See Table A-2.)

Table A-2

Net Assets

(In millions of dollars)

	2006	2005
Current assets	\$ 167.9	161.9
Noncurrent assets:		
Restricted assets	297.5	407.9
Capital assets	1,698.1	1,560.5
Total assets	2,163.5	2,130.3
Current liabilities	51.0	36.6
Liabilities payable from restricted assets	111.3	78.7
Long-term debt	1,479.8	1,509.9
Total liabilities	1,642.1	1,625.2
Net assets:		
Investment in capital assets, net of related debt	330.9	280.2
Restricted for construction	3.5	4.0
Restricted for debt service	112.7	119.3
Restricted for operations and maintenance	7.0	5.8
Unrestricted	67.3	95.7
Net assets	\$ 521.4	505.0

The System's overall financial position improved in FY 2006, as indicated by the \$16.4 million increase in net assets. The largest portion of the System's net assets represents its investment in capital assets (e.g., right-of-way, roads, bridges, buildings, toll equipment) less any related outstanding debt used to acquire those assets. The System uses these capital assets to provide service and, consequently, the assets are not available to liquidate liabilities or other spending.

The System's net assets indicate a current ratio of 3.3 and 4.4 for FY 2006 and FY 2005, respectively. Working capital was \$116.9 and \$125.3 million in FY 2006 and FY 2005, respectively. Total current assets were \$167.9 million at the end of FY 2006. Investments represent the largest component of current assets, eighty-two point three percent (82.3%) and cash represents thirteen percent (13.0%). The remaining four point seven percent (4.7%) is comprised of Accrued Interest Receivable, Accounts Receivable, Inventory, and Prepaid Expenses.

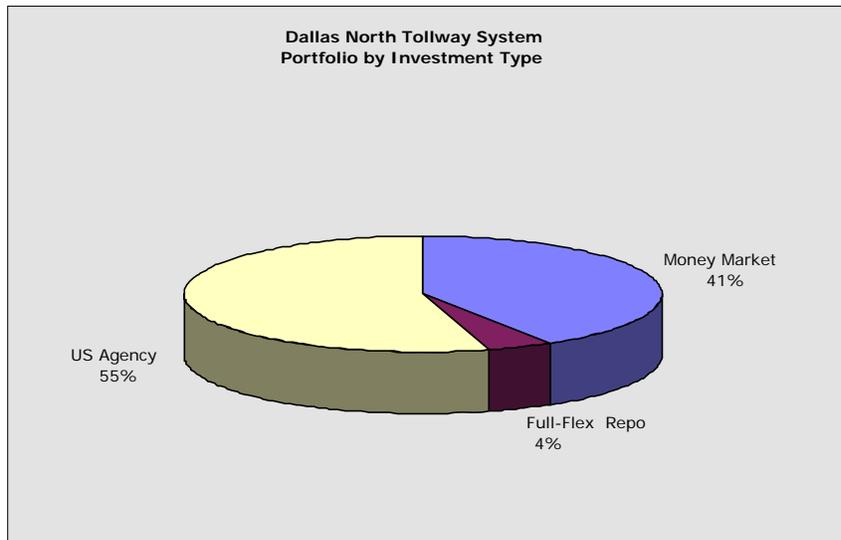
Total Current Liabilities were \$51.0 million at the end of FY 2006. Fifty-one point four percent (51.4%) of the total was Accounts and Retainage Payable, and Deferred Revenue (pre-paid TollTag accounts) was forty point six percent (40.6%) of the total. The increase in Deferred Revenue corresponds to the increase in TollTags. Approximately 1,179,000 and 1,021,000 TollTags were in use at the end of FY 2006 and FY 2005, respectively.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

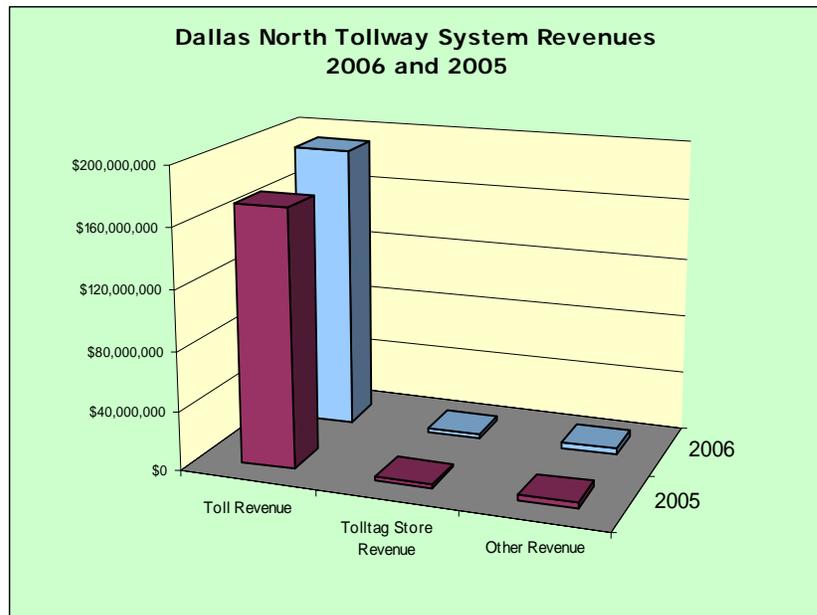
December 31, 2006

The System's investments at December 31, 2006 and 2005 were approximately \$413.7 million and \$523.8 million, respectively. The following chart indicates the types of authorized investments in the 2006 portfolio.



This chart shows total revenue for the entire NTTA system for 2006 and 2005 by source.

Total operating revenues for FY 2006 were \$198.1 million, an approximate eleven point five percent (11.5%) increase over FY 2005 total revenues of \$177.6 million. Toll revenues of \$191.4 million account for ninety-six point six percent (96.6%) of total revenue. TollTag store revenue, primarily from processing fees, was \$2.3 million or one point two percent (1.2%). Other revenue, principally administrative fees for collection of tolls from toll violators, was \$4.3 million, representing two point two percent (2.2%) of the total.



**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

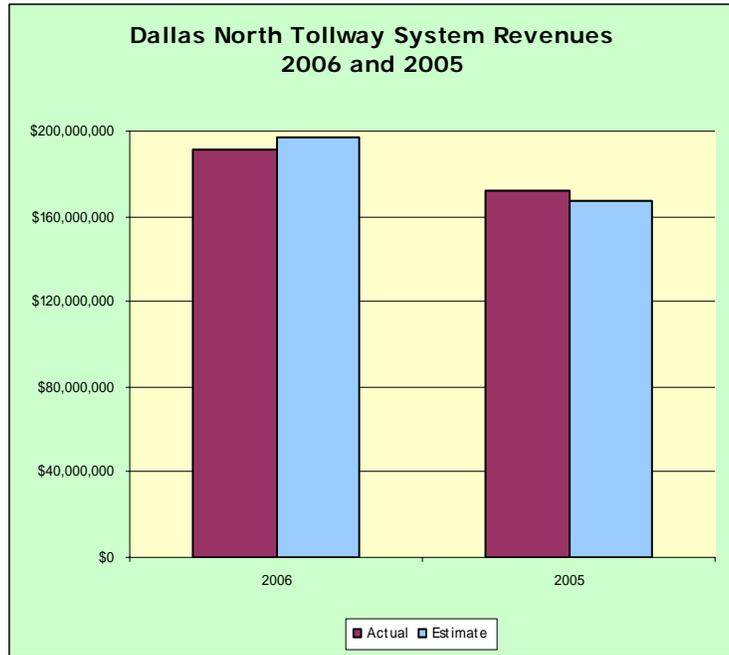
Management's Discussion and Analysis

December 31, 2006

This chart shows actual toll revenue for FY 2006 and 2005 compared to the Authority's traffic and toll revenue engineer, Wilbur Smith Associates (WSA), estimated toll revenue. During both years, toll revenues exceeded prior year actual. Current year estimates are two point nine percent (2.9%) over actual. This can be attributed to increases in gas prices and reconstruction on segments of the System. Traffic on the System continues to grow with approximately 1,020,900 average daily transactions.

Increases in toll revenue were largely due to:

- The continued population growth in the northern portion of the Dallas North Tollway.
- One full year of operations of PGBT Segment IV, that opened September 2005.



Using the Board approved calculation adopted in 2003, which takes into account violation invoices, images in process for collection and violation administration fees collected; the violation percentage for 2006 is two point four percent (2.4%). Management continues to pursue improvements to customer service and enforcement processes in order to reduce this rate.

Capital Assets – The System's investment in capital assets includes land, buildings, right-of-way, roadway, bridges, equipment, and systems. Capital assets at December 31, 2006 were \$1.698 billion, increasing from FY 2005 by approximately \$137.6 million or eight point eight percent (8.8%) due primarily to construction on the estimated \$264.0 million DNT Extension Phase 3. This six lane controlled-access tollway will extend the DNT north approximately 9.2 miles to US380 in Collin County. For additional information on capital assets see note (1)(g) and note (4).

The Authority utilizes the Modified Approach of reporting infrastructure assets. Each year a comprehensive assessment is conducted on all the Authority's infrastructure assets which affect the following fiscal year's maintenance budget. For additional information and results of the 2006 assessment, please see the Required Supplementary Information on pages 41-43 of this report.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

Budgetary Highlights – The Authority adopts (on a non-GAAP basis) an annual budget in December. The budget is established in accordance with the provisions of the Trust Agreement for the Dallas North Tollway System Revenue Bonds. The budget covers the fiscal year (calendar year) and is not revised during the year. For FY 2006 and 2005, expenses were five point eight percent (5.8%) and six point one percent (6.1%) under budget, respectively. Fiscal Year 2005 budget was \$60.2 million (an 18.7% increase over 2004), and Fiscal Year 2006 is \$65.2 million. This represents a \$5.0 million increase, or eight point three percent (8.3%). The primary factors in this increase are continued organizational growth in the Customer Service, Toll Collection, Maintenance, Safety and Technology; areas focusing on improved service delivery.

Long-Term Debt – At the end of FY 2006, the System's total bonded debt outstanding was \$1.39 billion compared to \$1.42 billion in 2005. (See Table A-3.) This debt represents bonds secured solely by toll revenue. This amount is offset by the net of amortized net deferred debit on refunding of \$48.3 million and bond discount(premium) costs of \$(19.9) million on the statement of net assets. For detailed information see note (5) and schedule of revenue bonds outstanding as of December 31, 2006 on page 29.

The Authority maintains a \$100 million commercial paper program; issuing \$25.0 million of Commercial Paper in December 2006 and transferred the proceeds to the Authority's Feasibility Study Fund, to finance the feasibility study and design of Southwest Parkway and PGBT Eastern Extension projects. As of December 31, 2006 there was \$25 million of outstanding notes under the commercial paper program.

The initial construction of the \$122.2 million Lewisville Lake Toll Bridge, consisting of a 2.4 mile bridge and approach roadways, will be funded with the commercial paper program. This project was incorporated into the System and the construction contract awarded on September 27, 2006.

**Table A-3
DALLAS NORTH TOLLWAY SYSTEM
Revenue Bonds Outstanding
December 31, 2006 and 2005**

<u>Series</u>	<u>Amount outstanding</u>	
	<u>2006</u>	<u>2005</u>
Series 1997	\$ 98,435,000	105,920,000
Series 1997A	107,455,000	108,570,000
Series 1998	100,660,000	100,660,000
Series 2003A	225,000,000	225,000,000
Series 2003B	125,245,000	135,000,000
Series 2003C	93,795,000	102,715,000
Series 2005A	226,870,000	227,370,000
Series 2005B	71,000,000	73,700,000
Series 2005C	341,670,000	341,670,000
Total	<u>\$ 1,390,130,000</u>	<u>1,420,605,000</u>

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

Table A-4 sets forth debt service coverage for all Revenue Bonds outstanding at December 31, for the years 2001 through 2006.

**Table A-4
DALLAS NORTH TOLLWAY SYSTEM**

Additionally, part of the construction of the PGBT was funded with the proceeds from a loan in the amount of \$135 million, made by the Texas Department of Transportation in 1995 pursuant to the Intermodal Surface Transportation Efficiency Act of 1991. Interest has been accruing since 2000 and repayment began in FY 2004 with the FY 2006 amount due totaling \$8.3 million. For a detailed description of accrued interest on this loan see note (5) page 34.

Historical Debt Coverage	
<u>Year</u>	<u>Coverage</u>
2006	1.98
2005	1.80
2004	2.00
2003	2.09
2002	2.08
2001	1.88

Economic Factors

Annual estimates by the Authority's traffic and revenue engineer, WSA, are shown against actual toll revenue for FY 2006, 2005, 2004, 2003, 2002, and 2001 in the table below.

DALLAS NORTH TOLLWAY SYSTEM

Revenue Estimates vs. Actual

<u>Fiscal year</u>	<u>Estimate</u>	<u>Actual</u>	<u>Variance</u>
2006	\$ 197,052,500	191,434,120	(5,618,380)
2005	167,457,300	172,537,345	5,080,045
2004	151,482,500	160,695,030	9,212,530
2003	144,975,000	149,323,784	4,348,784
2002	126,955,000	137,945,439	10,990,439
2001	104,212,000	107,210,124	2,998,124

Revenues on the System continue to exhibit growth each year. WSA estimated that toll revenue for the System would be \$197.1 million in FY 2006. This represents a seventeen point seven percent (17.7%) increase from the FY 2005 estimate; the actual FY 2006 toll revenue increased by eleven percent (11.0%) from FY 2005 actual. Changes in travel patterns due to the increases in gas prices and construction on segments of the System during FY 2006 could have affected the estimate. The System's total revenues produced a 1.98x debt coverage. See previous Historical Debt Coverage Table A-4 on page 10.

The Consulting Engineers have estimated that the costs for the maintenance, rehabilitation, and capital improvement program for the System over the next six years, in addition to the construction costs of the DNT Phase 3 and Lewisville Lake Toll Bridge, are projected to be approximately \$543 million. The expenditures may be funded from the Reserve Maintenance Fund, the Construction Fund or the Capital Improvement Fund (as shown in the supplementary information) as approved from time to time.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Management's Discussion and Analysis

December 31, 2006

Contacting the NTTA's Financial Management

This financial report is designed to provide overview information to our bondholders, patrons, and other interested parties. Should you have questions about this report, please contact the North Texas Tollway Authority's Director of Finance, 5900 W. Plano Parkway, Suite 100, Plano, Texas 75093.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Statement of Net Assets

December 31, 2006

Assets

Current assets:	
Cash and cash equivalents (note 3)	\$ 21,767,948
Investments (note 3)	138,097,725
Accrued interest receivable	2,896,075
Accounts receivable (note 9)	3,621,192
Inventory, at average cost	930,668
Prepaid expenses	485,133
Total current assets	167,798,741
Noncurrent assets:	
Restricted assets:	
Restricted for construction:	
Cash and cash equivalents (notes 3 and 10)	—
Investments (notes 3 and 10)	176,132,322
Restricted for debt service:	
Cash and cash equivalents (notes 3 and 5)	21,315,000
Investments (notes 3 and 5)	99,434,432
Deferred improvement costs	653,524
Capital assets net of amortization and depreciation (note 4)	1,698,121,926
Total noncurrent assets	1,995,657,204
Total assets	2,163,455,945

Liabilities

Current liabilities:	
Accounts and retainage payable	20,466,493
Accrued liabilities	5,735,261
Interproject/agencies payable	4,128,896
Deferred revenue	19,915,017
Tolltag deposits	787,989
Total unrestricted current liabilities	51,033,656
Payable from restricted assets:	
Construction-related payables:	
Accounts payable (note 10)	8,928,318
Retainage payable (note 10)	7,089,279
Debt service-related payables:	
Accrued interest payable	48,686,653
Accrued arbitrage rebate payable	2,333
Commercial paper payable (note 5)	25,000,000
Revenue bonds payable (note 5)	21,580,000
Total current liabilities payable from restricted assets	111,286,583
Noncurrent liabilities:	
Texas Department of Transportation loan payable (note 5)	4,600,000
Texas Department of Transportation ISTEA loan payable (note 5)	135,000,000
Dallas North Tollway System revenue bonds payable, net of unamortized net deferred debit on refundings of \$48,276,096 and bond discount (premium) costs of \$(19,903,159) (note 5)	1,340,177,063
Total noncurrent liabilities	1,479,777,063
Total liabilities	1,642,097,302

Net Assets

Invested in capital assets, net of related debt	330,841,254
Restricted:	
Restricted for construction	3,511,620
Restricted for debt service	112,697,338
Restricted for operations and maintenance	6,985,530
Unrestricted	67,322,901
Commitments and contingencies	
Total net assets	\$ 521,358,643

See accompanying notes to basic financial statements.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended December 31, 2006

Revenues:		
Tolls	\$	191,434,120
Other		6,647,546
		198,081,666
Total operating revenues		198,081,666
Operating expenses:		
Administration		8,899,052
Operations		52,522,106
Reserve maintenance		22,771,922
Capital improvement		31,975,003
		116,168,083
Total operating expenses before depreciation		116,168,083
Operating income before depreciation		81,913,583
Depreciation		(2,126,037)
Operating income		79,787,546
Nonoperating revenues (expenses):		
Interest earned on investments		16,550,756
Net increase in the fair value of investments		2,335,448
Interest expense on revenue bonds		(53,414,350)
Interest expense on commercial paper		(24,658)
Bond premium/discount amortization		1,618,562
Deferred amount on refunding amortization		(6,557,286)
Contributed capital to the Feasibility Fund		(25,000,000)
Other		1,013,964
		(63,477,564)
Net nonoperating revenues (expenses)		(63,477,564)
Change in net assets		16,309,982
Beginning net assets		505,048,661
Ending net assets	\$	521,358,643

See accompanying notes to basic financial statements.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Statement of Cash Flows

Year ended December 31, 2006

Cash flows from operating activities:	
Receipts from customers and users	\$ 200,865,069
Payments to contractors and suppliers	(76,734,741)
Payments to employees	(36,489,631)
	<u>87,640,697</u>
Net cash provided by operating activities	<u>87,640,697</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets (including capitalized interest costs)	(122,610,953)
Issuance of commercial paper	25,000,000
Defeased revenue bonds	(9,766,910)
Principal paid on revenue bonds	(19,700,000)
Contributed capital to Feasibility Study Fund	(25,000,000)
Interest paid on revenue bonds and other debt	(64,547,995)
	<u>(216,625,858)</u>
Net cash used in capital and related financing activities	<u>(216,625,858)</u>
Cash flows from investing activities:	
Purchase of investments	(1,110,584,177)
Proceeds from sales and maturities of investments	1,224,308,511
Interest received	21,635,839
	<u>135,360,173</u>
Net cash provided by investing activities	<u>135,360,173</u>
Net increase in cash and cash equivalents	6,375,012
Cash and cash equivalents, beginning of the year	<u>36,707,936</u>
Cash and cash equivalents, end of the year	<u>\$ 43,082,948</u>
Classified as:	
Current assets	\$ 21,767,948
Restricted assets	21,315,000
	<u>\$ 43,082,948</u>
Total	<u>\$ 43,082,948</u>
Noncash financing, capital, and investing activities:	
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 79,787,546
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	2,126,037
Changes in assets and liabilities:	
Increase in accounts receivable	(507,862)
Increase in inventories	(256,677)
Increase in prepaid expenses	(300,809)
Increase in deferred revenue	2,457,496
Increase in accounts and retainage payable	3,596,840
Increase in accrued liabilities	738,126
Total adjustments	<u>7,853,151</u>
Net cash provided by operating activities	<u>\$ 87,640,697</u>
Noncash financing activities:	
Increase in fair value of investments	\$ 2,335,448

See accompanying notes to basic financial statements.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

(1) Nature of the Organization and Summary of Significant Accounting Policies

(a) Reporting Entity

In June 1997, the Texas Legislature approved a bill to create the North Texas Tollway Authority (the Authority), a regional tollway authority under Chapter 366, Transportation Code. Effective September 1, 1997, the Authority became the successor agency to the Texas Turnpike Authority and succeeded to all assets, rights, liabilities, and other property of the Texas Turnpike Authority located in Collin, Dallas, Denton, and Tarrant Counties. The Authority also assumed and became liable for all duties and obligations related to the Texas Turnpike Authority at that time.

The Authority is a political subdivision of the State of Texas, authorized and empowered by the Regional Tollway Authority Act (the Act) to construct, maintain, repair, and operate turnpike projects at such locations within Collin, Dallas, Denton, and Tarrant Counties, as may be determined by the Authority. The Authority is further authorized to issue turnpike revenue bonds, payable solely from tolls and other revenue of the Authority, for the purpose of paying all or any part of the cost of a turnpike project. Under the provisions of the Act, these revenue bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the State of Texas or of any other political subdivision thereof.

The Dallas North Tollway System (the System) is the enterprise fund of the Authority. The System is a turnpike project of the Authority and consists of the Dallas North Tollway (the DNT), the Addison Airport Toll Tunnel (the AATT), the President George Bush Turnpike (the PGBT), the Mountain Creek Lake Bridge (the MCLB), and the Lewisville Lake Toll Bridge (the LLTB). In addition to the System financial statements, separate financial statements related to the Authority are prepared to present the accounts of the Dallas-Fort Worth Turnpike Transition Trust Fund and the Feasibility Study Fund. The System's assets make up 99% of the Authority's total assets and 100% of the operating revenues. Although the Authority has fiduciary responsibility over these other accounts, the System's financial statements represent the primary operations of the Authority. However, the financial statements present only the enterprise fund and do not purport to, and do not, present the complete financial position of the Authority as of December 31, 2006, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

(b) Basis of Accounting

The operations of the System 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, and all assets and liabilities associated with the operation of the System are included in the Statement of Net Assets. The assets of the System are stated at cost with the exception of investments, which are stated at fair value.

**NORTH TEXAS TOLLWAY AUTHORITY
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The Authority applies all applicable GASB pronouncements to the system, as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those directives conflict with or contradict GASB pronouncements.

The principal revenues of the System are toll revenues received from patrons. Operating expenses for the System include the costs of operating and maintaining the System and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Trust Agreement also requires that certain funds and accounts be established and maintained. The Authority consolidates these System funds and accounts for the purpose of enterprise fund presentation in its external financial statements.

(c) ***Budget***

Operating budgets are adopted on a non-GAAP basis. The budget is established in accordance with the practices set forth in the provisions of the Trust Agreement for the Dallas North Tollway System Revenue Bonds, as interpreted by the Authority. These practices are similar to U.S. generally accepted accounting principles for an enterprise fund on an accrual basis except that depreciation and amortization of certain non-infrastructure capital assets and related acquisition and revenue bond issuance costs are not included as an operating expense or otherwise provided, and interest accrued for certain periods after official completion on certain of the System's bond issues is capitalized as allowed by the Trust Agreement and bond resolution, rather than being reflected as an expense. Otherwise, revenues are recognized when they are earned, expenses are recognized in the period in which they are incurred, and all assets and liabilities associated with the operation of the System are included in the statement of net assets in accordance with the Trust Agreement as described above.

Each year the Authority completes a review of its financial condition for the purpose of estimating whether the net revenues of the System for the year will meet its debt covenants. During 2006, the actual net revenues exceeded budgeted amounts. See additional information regarding legal compliance for budgets in note (2).

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(d) Restricted Assets

Certain proceeds of the Revenue Bonds are restricted by applicable bond covenants for construction or restricted as reserves to ensure repayment of the bonds. Also, certain other assets are accumulated and restricted on a monthly basis in accordance with the Trust Agreement for the purpose of paying interest and principal payments that are due on a semiannual and annual basis, respectively, and for the purpose of maintaining the reserve funds at the required levels. Payments from these restricted accounts are strictly governed by the Trust Agreement and can only be made in compliance with the Trust Agreement. Limited types of expenses may be funded from these accounts. Expenses that do not meet these standards are funded from unrestricted accounts. The funds and accounts that have been established in accordance with the Trust Agreement are as follows:

- **Construction and Property Fund** – The Construction and Property Fund was created to account for that portion of the proceeds from the sale of Dallas North Tollway System Revenue Bonds, which were required to be deposited with the trustee in order to pay all costs of construction. There also may be deposited in the Construction and Property Fund any monies received from any other source for paying the cost of the System.
- **Revenue Fund** – The Revenue Fund was created to account for all revenues (all tolls, other revenues, and income) arising or derived by the System from the operation and ownership of the System. All revenues of this fund are distributed to other funds in accordance with the Trust Agreement.
- **Operation and Maintenance Fund** – The Operation and Maintenance Fund was created to account for and pay current operating expenses of the System.
- **Reserve Maintenance Fund** – The Reserve Maintenance Fund was created to account for those expenses of maintaining the System that do not recur on an annual or shorter basis. As defined in the Trust Agreement, such items include repairs, painting, renewals, and replacements necessary for safe or efficient operation of the System or to prevent loss of revenues, engineering expenses relating to the functions of the System, equipment, maintenance expenses, and operating expenses not occurring at annual or shorter periods.
- **Capital Improvement Fund** – The Capital Improvement Fund was created to account for the cost of repairs, enlargements, extensions, resurfacing, additions, renewals, improvements, reconstruction and replacements, capital expenditures, engineering, and other expenses relating to the powers or functions of the System in connection with the System, or for any other purpose now or hereafter authorized by law.
- **Bond Interest Account** – The Bond Interest Account was created to account for the payment of the semiannual interest requirements of the revenue bonds.

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- **Reserve Account** – The Reserve Account was created for the purpose of paying interest on and principal of the bonds whenever and to the extent that the monies held for the credit of the Bond Interest Account and the Redemption Account shall be insufficient for such purpose. The required reserve is an amount equal to the average annual debt service requirements of all bonds outstanding. At December 31, 2006, the System was in compliance with this requirement.
- **Redemption Account** – The Redemption Account was created to account for the payment of the annual principal requirements of the revenue bonds.

(e) Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents are amounts included in the overnight sweep of the commercial account. These deposits are fully collateralized or covered by federal deposit insurance. The System considers other money market funds to be investments. The carrying amount of the investments is fair value. The net change in fair value of investments is recorded on the Statement of Revenues, Expenses, and Changes in Net Assets and includes the unrealized and realized gains and losses on investments.

(f) Materials Inventory

Inventories of road maintenance materials and supplies are valued at the lower of cost or market using the average cost method.

(g) Capital Assets

All capital assets are stated at historical cost. Capital assets are defined as assets with initial, individual costs exceeding \$5,000 and a useful life of greater than one year. The cost of property and equipment includes costs for infrastructure assets (right-of-way, highways and bridges substructure, and highways and bridges), toll equipment, buildings, toll facilities, and other related costs (including software) and furniture and equipment. Highway and bridges substructure includes road sub-base, grading, land clearing, embankments, and other related costs. Also included in capital assets are costs incurred in connection with the offering, sale, and issuance of bonds for construction purposes; unamortized discount on the sale of those bonds; bond interest expense net of income earned from investment of funds during construction; the cost of certain real estate for right-of-way requirements; and administrative and legal expenses incurred during the construction period.

The costs to acquire additional capital assets, which replace existing assets or improve the efficiency of the System, are capitalized. Under the System's policy of accounting for infrastructure assets pursuant to the "preservation method of accounting" or "modified approach," property costs represent an historical accumulation of costs expended to acquire rights-of-way and to construct, improve, and place in operation the various projects and related facilities. These infrastructure assets are considered to be "indefinite lived assets" that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to renewing and maintaining these assets are not

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capitalized, but instead are considered to be period costs and are included in preservation expense classified as part of reserve maintenance and capital improvement expenses. Additional charges to preservation expense occur whenever the condition of the infrastructure assets is determined to be at a level that is below the standards adopted by the Board of Directors of the Authority.

(h) *Compensated Absences*

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

(i) *Retainage Payable*

Retainage payable represents amounts billed to the System by contractors for which payment is not due pursuant to retained percentage provision in construction contracts until substantial completion of performance by contractor and acceptance by the System.

(j) *Deferred Amount on Refunding of Revenue Bonds*

Deferred amount on refunding of revenue bonds incurred on advance refunding of such bonds relates to the difference between the reacquisition price and the net carrying amount of the refunded bonds. The amount deferred is included as a reduction to revenue bonds payable and is amortized in a systematic and rational manner over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

(k) *Bond Discounts, Premiums, and Bond Issuance Costs*

Costs incurred in connection with the offering and sale of bonds for construction purposes are capitalized in the System's capital assets (highway and bridges). Unamortized bond discount or premiums are reported net of the related debt.

(l) *Arbitrage Rebate Payable*

The Tax Reform Act of 1986 imposed additional restrictive regulations, reporting requirements, and arbitrage rebate liability on issuers of tax-exempt debt. This represents interest earnings on bond proceeds in excess of amounts allowed under the Act. This Act requires the remittance to the Internal Revenue Service (IRS) of 90% of the cumulative arbitrage rebate within 60 days of the end of each five-year reporting period following the issuance of governmental bonds. The System's cumulative arbitrage rebate liabilities for the year ended December 31, 2006 are \$2,333.

(m) *Income Tax*

As a political subdivision of the State of Texas, the income of the Authority and therefore the System is not subject to federal or state income tax under the Internal Revenue Code (IRC) Section 115.

(n) *Estimates*

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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(2) Legal Compliance – Budgets

The Authority is required to prepare a preliminary budget of current expenses, deposits to the Reserve Maintenance Fund, and the purposes for which the monies held in the Reserve Maintenance Fund will be expended for the ensuing year on or before December 31 of each year. Copies of the preliminary budget must be filed with the bond trustee, and mailed to the consulting engineers, traffic engineers, principal underwriters, and all bondholders who have filed their names and addresses with the secretary and treasurer of the Authority 60 days prior to year-end. The Authority is required by the Trust Agreement to adopt a final budget for the System on or before December 31 prior to the beginning of the year. The budget is prepared at the Department level and is prepared based upon the Trust Agreement.

The Authority may not expend any amount or incur any obligations for maintenance, repairs, and operations in excess of the total amount of the budgeted expenses in the Annual Budget unless the funding source is other than revenues received from the System. The System may expend additional monies from the Reserve Maintenance Fund in excess of the annual deposits. Budget amendments must be approved by the Board Members of the Authority in a manner similar to the adoption of the annual budget. There were no occurrences of budget noncompliance in 2006.

Pursuant to the Trust Agreement, the Authority has agreed that it will at all times keep in effect a plan for toll collecting facilities and a schedule of rates of tolls, which will produce during each construction fiscal year an amount of net revenues (as defined by the Trust Agreement) equal to 1.00 times the scheduled debt service requirements during construction and for each of the three fiscal years following the last construction fiscal year net revenues equal to 1.10 times each year's debt service requirements, and 1.20 times debt service requirements for each fiscal year thereafter.

In 2006, the requirement was 1.00 times the scheduled debt service requirement for the year.

	(Unaudited)
GAAP basis operating income	\$ 79,787,546
Nonconstruction fund interest income	11,612,030
Gross income	91,399,576
Add:	
Depreciation	2,126,037
Capital improvement fund expenses	31,975,003
Reserve maintenance fund expenses	22,771,922
Net revenues available for debt service	148,272,538
Bond interest expense, net of amounts capitalized	53,414,350
Scheduled principal amount due	21,580,000
Calculated debt service requirement	\$ 74,994,350
Coverage ratio	1.98

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(3) Deposits and Investments

The Authority's investment policy is in accordance with the laws of the State of Texas. The Authority may purchase investments as authorized by the Trust Agreement and as further authorized by the revised investment policy and strategy approved by the Board of Directors in December 2006. These investments include obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; certificates of deposit issued by a state or national bank; fully collateralized repurchase agreements; commercial paper with a stated maturity of 270 days or fewer from the date of its issuance; and no load money market mutual funds that have a dollar-weighted average stated maturity of 90 days or fewer and includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share.

The Authority does not invest in financial instruments other than those authorized by the investment policy, and does not invest in any state or local government investment pools.

The Authority reports all equity securities and debt instruments with readily determinable market values to be carried at fair value, with changes in fair value reflected in the Statements of Revenues, Expenses, and Changes in Net Assets.

(a) Deposits

The Authority's deposits were fully insured or collateralized at December 31, 2006. The carrying amount of the Authority's deposits was \$1,692,216 and the respective bank balances totaled \$611,727. Of the total bank balances, the Federal Depository Insurance Corporation (FDIC) covered \$100,000. The remainder was covered by collateral with a value of \$2,709,329. The collateral is held by the Federal Reserve Bank of Dallas in the Authority's name under a joint safekeeping agreement with Bank of America, Texas.

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(b) Investments

As of December 31, 2006 the maturity values are as follows:

<u>Description</u>	<u>2006</u>		
	<u>Maturities (in years)</u>		
	<u>Fair value</u>	<u>Less than 1</u>	<u>1 or Greater</u>
U.S. Government Securities:			
Federal Home Loan Bank	\$ 75,951,714	75,824,314	127,400
Federal National Mortgage Assn.	106,228,385	90,353,701	15,874,684
Federal Home Loan Mortgage Corp.	17,063,736	13,012,620	4,051,116
United States Treasury	14,824,470	14,824,470	—
United States Treasury Strips	10,605,647	10,605,647	—
Money Market Funds*	211,753,763	211,753,763	—
Repurchase Agreements	18,157,051	18,157,051	—
Total investments	<u>\$ 454,584,766</u>	<u>434,531,566</u>	<u>20,053,200</u>

* Included in Money Market Funds are overnight sweeps of certain deposits of the Authority that are classified as cash in the financial statements. The balance \$40,920,287 is collateralized by the assets of the money market funds.

(c) Interest Rate Risk

Investment portfolios are designed with the objective of attaining the best possible rate of return commensurate with the Authority's investment risk constraints and the cash flow characteristics of the portfolio. Return on investments, although important, is subordinate to the safety and liquidity objectives. In accordance with the Authority's investment strategy, three strategies are employed for the portfolio. The Authority's portfolio has been designed and managed in a manner responsive to each funds (trust basis) unique requirement. Therefore, the Authority's funds are classified into Type I, Type II, and Type III Funds. Type I Funds include Operation and Maintenance Fund, Revenue Fund, Reserve Maintenance Fund, Bond Interest Account, and Bond Redemption Account. The weighted average maturities of Type I funds are limited to 180 days. Type II Funds include Construction Funds, Capital Improvement Funds, and Special Reserve Fund. Type II funds maturity is reflected to match the cash drawdown requirements of each fund. Type III Funds include Debt Service Reserve Fund, and Deferred Revenue-Tag Store Account. The weighted average maturity for Type III funds is limited at 5 years.

The actual WAM is 11 days for Type I funds, 131 days for Type II funds, and 55 days for Type III funds. Market value fluctuation of the overall portfolio is minimized by keeping the weighted average maturity low. Approximately 95% of the investment are maturing within one year; 5% are maturing one year or greater.

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(d) Credit Risk

Per the Investment Policy, the Authority may not enter into longer term investment agreements or other ongoing investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long term rating of less than “AA” by Standard & Poor’s Ratings Group or “Aa2” by Moody’s Investor Services. That means ratings of AA, AA+ for S&P and Aa2, Aa1 for Moody’s are appropriate for the financial institution.

As of December 31, 2006, the Authority invested 41% in AAA rated money market funds, 4% invested in AAA rated Full Flex Repurchase agreements, 6% in Treasury Notes and Strips backed by the full faith and credit of the U.S. Government, and 49% in U.S. Agencies. Repurchase agreements are fully collateralized. Treasury Notes and Strips and Agencies are AAA rated by Moody’s.

(e) Concentration of Credit Risk

It is the policy of the Authority to diversify its investment portfolios. Assets held in the particular funds shall be diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. As of December 31, 2006 the Wells Fargo, Federated, and American Beacon money market funds exceeded 5% of the total portfolio. This higher balance held with the Trustee was required for the debt service payment due January 1, 2007. More than 5% of the Authority’s investments are in Federal Home Loan Banking, Federal National Mortgage Association, and U.S. Treasury.

Cash and investments either restricted in accordance with bond provisions or accounted for per the Trust Agreements budget requirements are as follows:

Construction and property account	\$ 176,132,322
Revenue account	22,353,786
Operations and maintenance account	15,144,246
Reserve maintenance account	19,592,671
Capital improvement account	102,774,970
Bond interest account	21,188,657
Bond reserve account	77,552,497
Bond redemption account	22,008,278
Total cash and investments	\$ 456,747,427

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(4) Capital Assets

Capital assets are summarized as follows:

	<u>January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2006</u>
Infrastructure network (nondepreciable):				
Preliminary costs	\$ 49,347,647	613,089	—	49,960,736
Engineering	164,174,781	12,356,572	—	176,531,353
Right-of-way	155,057,117	571,874	(1,823,868)	153,805,123
Construction	1,062,937,816	112,287,838	—	1,175,225,654
Administration	29,655,835	992,515	(1,100,000)	29,548,350
Capitalized interest*	95,434,211	14,341,417	—	109,775,628
Total nondepreciable property and equipment	<u>1,556,607,407</u>	<u>141,163,305</u>	<u>(2,923,868)</u>	<u>1,694,846,844</u>
Property and equipment (depreciable):				
Furniture and equipment	11,375,126	1,504,909	(168,236)	12,711,799
Less accumulated depreciation	<u>(7,478,916)</u>	<u>(2,126,037)</u>	<u>168,236</u>	<u>(9,436,717)</u>
Total depreciable property and equipment	<u>3,896,210</u>	<u>(621,128)</u>	<u>—</u>	<u>3,275,082</u>
Total capital assets	<u>\$ 1,560,503,617</u>	<u>140,542,177</u>	<u>(2,923,868)</u>	<u>1,698,121,926</u>

* Net of amortized discount/premium.

Total bond interest cost incurred amounted to \$64,664,350 during the year ended December 31, 2006, of which \$11,250,000 was capitalized.

(5) Revenue Bonds, Commercial Paper, and Loans Payable

Revenue Bonds

The Authority has issued and refunded various Revenue Bond Series to construct the system. The Authority follows the provisions of GASB No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities* (Statement No. 23). Under the provisions of Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the life of the new debt or the life of the old debt (had it not been refunded), whichever is shorter, as an adjustment to the bond interest expense.

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The following are descriptions of Revenue Bond Series currently outstanding as of December 31, 2006.

The Authority issued \$129,270,000 in principal amount of Dallas North Tollway System Revenue Refunding Bonds, Series 1997, dated January 1, 1996 with a forward delivery on October 8, 1997, for the purpose of refunding \$123,945,000 of Series 1989 revenue bonds. Interest on the bonds is payable on January 1 and July 1 of each year. Principal is payable on January 1 of each year. The bonds included \$78,665,000 of serial bonds, which began maturing on January 1, 1999 and bear interest rates ranging from 5.0% to 6.5%. The remaining \$50,605,000 of 5.5% term bonds is due January 1, 2015.

The Authority purchased sufficient U.S. Treasury notes with the net proceeds from the Series 1997 Bonds for the partial retirement of the Series 1989 Bonds and placed it in an irrevocable escrow account with Bank One. On December 31, 1997, the U.S. Treasury note matured and the irrevocable escrow account held sufficient cash to pay for the outstanding refunded principal of \$123,945,000 on the defeased Series 1989 Bonds. The difference between the reacquisition price and the net carrying amount of the Series 1989 Bonds (\$11,430,835) was deferred and is being amortized over the stated term of the Series 1997 Bonds. Amortization of the deferred amount on the refunding was \$693,234 for the year ended December 31, 2006.

The Authority issued \$129,005,000 in principal amount of Dallas North Tollway System Revenue Refunding bonds, Series 1997A, on October 20, 1997, for the purpose of refunding a portion of the Dallas North Tollway System Revenue Bonds, Series 1989, dated July 1, 1989, and the outstanding Dallas North Tollway System Revenue Bonds, Series 1994, dated December 1, 1994. The amount of refunded principal related to the Series 1989 Bonds is \$98,040,000 and the amount related to the Series 1994 Bonds is \$22,575,000. Interest on the bonds is payable on January 1 and July 1 of each year. Principal is payable on January 1. The bonds included \$67,685,000 of serial bonds, which began maturing on January 1, 1998 and bear interest rates ranging from 4.0% to 5.375%, \$56,655,000 of 5.0% term bonds due January 1, 2020, and \$4,665,000 of 5.0% term bonds due January 1, 2023.

The Authority purchased sufficient U.S. Treasury securities – State and Local Government Series with the net proceeds from the Series 1997A Bonds for the partial retirement of the Series 1989 Bonds and 1994 Bonds and placed them in an irrevocable escrow account with Bank One. At December 31, 1998, the irrevocable escrow account held sufficient investments to pay for the outstanding refunded principal of \$98,040,000 on the defeased Series 1989 Bonds and \$22,575,000 on the defeased Series 1994 Bonds. The difference between the reacquisition price and the net carrying amount of the Series 1989 Bonds and 1994 Bonds (\$9,217,525) was deferred and is being amortized over the stated term of the Series 1997A Bonds. Amortization of the deferred amount on the refunding was \$153,335 for the year ended December 31, 2006.

The \$100,660,000 North Texas Tollway Authority Dallas North Tollway System Revenue Bonds, Series 1998 were authorized to be issued pursuant to the resolution of the Board of Directors adopted on August 19, 1998, and the Trust Agreement dated as of July 1, 1989. The bonds were dated September 15, 1998 and were issued for the purpose of financing Segment V of the PGBT. The proceeds of bonds, together with the Texas Department of Transportation's (TxDOT) contributions fully funded the acquisition and construction of Segment V. Pursuant to an agreement between TxDOT and the Authority (the 1998 Two-Party Agreement), TxDOT constructed certain parts of Segment V. Upon completion of the

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improvements constructed by TxDOT, the System reimbursed TxDOT for construction costs in excess of \$24,000,000, plus TxDOT's engineering costs attributable to the tolled portion of the improvements it constructed. The 1998 issuance consists of \$22,515,000 serial bonds, \$22,065,000 term bonds, and \$56,080,000 term bonds. Interest on the bonds is payable on January 1 and July 1 of each year. Principal will be payable on January 1 commencing on January 1, 2008. The bonds consist of \$22,515,000 4.1%-4.75% Serial bonds maturing from 2008-2018 with a yield of 4.150%-4.94%, \$22,065,000 4.75% Term bonds due January 1, 2022 at a yield of 5.00%, and \$56,080,000 Term bonds due January 1, 2029 at a yield of 5.010%.

To fund a portion of the costs for Segments IV of the PGBT, finance improvements to the System and refund commercial paper notes, the North Texas Tollway Authority issued \$225,000,000 Series 2003A Dallas North Texas Tollway Authority System Revenue Bonds, dated May 1, 2003. The bonds were issued May 28, 2003 on parity with other obligations of the Authority and will mature beginning January 1, 2021 and bear an interest rate of 5.00%. Interest on the bonds is payable on January 1 and July 1 of each year. The Series 2003A Bonds are subject to maturity at the option of the Authority on January 1, 2013 or on any date thereafter at a price of par plus accrued interest to the date of redemption.

The Authority issued \$135,000,000 in principal amount of Dallas North Tollway System Revenue Refunding Bonds, Series 2003B, dated May 1, 2003 on May 28, 2003, for the purpose of refunding \$113,986,475 of Series 1995 revenue bonds. Interest on the bonds of an Initial Multiannual Rate of 5.00% is payable on January 1 and July 1 of each year, commencing on January 1, 2004. The Series 2003B Tender Bonds will mature, or be subject to mandatory sinking fund redemption, on January 1 in each of the years 2030 through 2038, inclusive. On the Mandatory Tender Date of July 1, 2008, the Series will be subject to mandatory tender for purchase. The Authority has agreed that the Bonds will be remarketed at the first date on or after the Mandatory Tender Date at which they can be sold in any interest rate mode and at a rate not exceeding 12.00% per annum. In the event they cannot be remarketed and purchased on the Mandatory Tender Date, the mandatory tender will be deemed to have been rescinded and the Series 2003B Bonds will bear interest at the rate of 8.00% per annum from the Mandatory Tender Date until purchased upon a subsequent remarketing.

The Authority purchased sufficient U.S. Treasury notes with the net proceeds from the 2003B Bonds for the partial retirement of the Series 1995 Bonds and placed it in an irrevocable escrow account with Bank One. On December 31, 2003, the irrevocable escrow account held sufficient cash to pay for the outstanding refunded principal of \$113,986,475 and \$15,348,270 of appreciation on the defeased Series 1995 Bonds. The difference between the reacquisition price and the net carrying amount of the Series 1995 Bonds (\$17,603,389) was deferred and is being amortized over the stated term of the Series 1995 Bonds. Amortization of the deferred amount on the refunding was \$1,951,667 for the year ended December 31, 2006.

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The Authority issued \$106,750,000 in principal amount of Dallas North Tollway System Revenue Refunding Bonds, Series 2003C, dated September 15, 2003 on October 7, 2003, for the purpose of refunding \$108,610,000 of Series 1993 Refunding Bonds. The bonds consist of \$46,970,000 2.00%-5.00% Serial Bonds maturing from 2004-2010 and \$59,780,000 Tender Bonds due January 1, 2011-2018 with an Initial Multiannual Rate of 5.00%. Interest is payable on January 1 and July 1 of each year, commencing on January 1, 2004. The Series 2003C Tender Bonds will mature, or be subject to mandatory sinking fund redemption, on January 1 in each of the years 2011 through 2018, inclusive. On the Mandatory Tender Date of July 1, 2008, the Tender Bonds will be subject to mandatory tender for purchase. The Authority has agreed that the Bonds will be remarketed at the first date on or after the Mandatory Tender Date at which they can be sold in any interest rate mode and at a rate not exceeding 12.00% per annum. In the event they cannot be remarketed and purchased on the Mandatory Tender Date, the mandatory tender will be deemed to have been rescinded and the Series 2003B Bonds will bear interest at the rate of 8.00% per annum from the Mandatory Tender Date until purchased upon a subsequent remarketing.

The Authority purchased sufficient U.S. Treasury notes with the net proceeds from the Series 2003C Bonds for the partial retirement of the Series 1993 Bonds and placed it in an irrevocable escrow account with Bank One. On December 31, 2003, the irrevocable escrow account held sufficient cash to pay for the outstanding refunded principal of \$108,610,000 on the defeased Series 1993 Bonds. The difference between the reacquisition price and the net carrying amount of the Series 1993 Bonds (\$18,741,516) was deferred and is being amortized over the stated term of the Series 2003C Refunding Bonds. Amortization of the deferred amount on the refunding was \$2,362,448 for the year ended December 31, 2006.

The Authority purchased sufficient U.S. Treasury notes for the partial retirement at the July 1, 2008 Mandatory Tender Date of the Series 2003B and 2003C Bonds and placed them in an irrevocable escrow account with Wells Fargo. On December 31, 2006, the irrevocable escrow account held sufficient cash to pay for the outstanding principal of \$9,755,000 on the Series 2003B Bonds and \$1,020,000 on the Series 2003C Bonds. The difference between the reacquisition price and net carrying amount of \$1,008,090 was recognized as nonoperating revenues in 2006 as the reacquisition was funded with cash on hand.

The \$227,370,000 North Texas Tollway Authority Dallas North Tollway System Revenue Bonds, Series 2005A, were authorized to be issued pursuant to the resolution of the Board of Directors adopted on February 16, 2005, and the Trust Agreement dated as of July 1, 1989, as amended by the First through Eleventh Supplemental Agreements (collectively, the Trust Agreement). The bonds were dated March 1, 2005 and were issued for the purpose of financing a portion of the construction cost of improving, expanding and extending the system, including the proposed extension of the DNT from Gaylord Parkway to U.S. 380, funding the required deposit to the Reserve Account, reimbursing the cost of construction of the extension of the DNT from Legacy Drive across SH 121 to Gaylord Parkway, and paying cost of issuance relating to the bonds. Interest on the bonds is payable on January 1, and July 1, of each year. Principal is payable on January 1, of each year. The bonds consist of \$88,395,000 at 3.0%-5.0% Serial bonds maturing from 2006-2015 and 2025-2030 with yields of 2.32%-4.55%, and \$61,365,000 at 5.00% Term bonds due January 1, 2035 at a yield of 4.58%; \$44,455,000 at 4.50% Term bonds due January 1, 2038 at a yield of 4.78%, and \$33,155,000 at 5.00% Term bonds due January 1, 2040 at a yield of 4.65%.

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The \$73,700,000 North Texas Tollway Authority Dallas North Tollway System Variable Rate Revenue Bonds, Series 2005B, were authorized to be issued pursuant to the resolution of the Board of Directors adopted on February 16, 2005, and the Trust Agreement. The bonds were dated March 1, 2005, and were issued for the purpose of financing a portion of the construction cost of improving, expanding and extending the system, including the proposed extension of the DNT from Gaylord Parkway to U.S. 380, reimbursing the cost of construction of the extension of the DNT from Legacy Drive across SH 121 to Gaylord Parkway, and paying cost of issuance relating to the bonds. Interest on the bonds initially accrued from the date of delivery at a Weekly Rate, but may be subsequently converted to bear interest at a Daily Rate, Flexible Rate, Monthly Rate, Quarterly Rate, Semi-Annual Rate, Multi-Annual Rate, or Fixed Rate. While bearing interest at a Weekly Rate, interest will be payable on the first business day of each calendar month, and will be calculated on the basis of actual days elapsed on a 365-day or 366-day calendar year, as applicable. Upon a change to any of the other interest modes, the bonds will be subject to mandatory tender for purchase and remarketing with a maximum rate of twelve percent (12%) per annum. Principal will be payable on January 1, commencing on January 1, 2016. The bonds consist of \$73,700,000 Weekly Mode bonds maturing from 2016-2024.

The Authority exercised the option to redeem the Series 2005B Bonds maturing on January 1, 2016 and 2017 in the aggregate principle amount of \$2,700,000 on January 4, 2006 at a redemption price equal to the principle amount of the Redeemed Bonds plus accrued interest to the Redemption Date.

The \$341,670,000 North Texas Tollway Authority Dallas North Tollway System Variable Rate Revenue Bonds, Series 2005C were authorized to be issued pursuant to the resolution of the Board of Directors adopted on November 11, 2005, and the Trust Agreement. The bonds were dated December 1, 2005 and were issued for the purpose of refunding \$332,425,000 Series 1995 Bonds, and paying cost of issuance relating to the bonds. Interest on the bonds initially accrued from the date of delivery at a Weekly Rate, but may be subsequently converted to bear interest at a Daily Rate, Flexible Rate, Monthly Rate, Quarterly Rate, Semi-Annual Rate, Multi-Annual Rate, or Fixed Rate. While bearing interest at a Weekly Rate, interest will be payable on the first business day of each calendar month, and will be calculated on the basis of actual days elapsed in a 365-day or 366-day year, as applicable. Upon a change to any of the other interest modes, the bonds will be subject to mandatory tender for purchase and remarketing with a maximum rate of twelve (12%) per annum. The bonds consist of \$341,670,000 Term Bonds due January 1, 2025. The bonds are subject to mandatory sinking fund redemption prior to maturity on January 1 of the years 2007-2025.

The Authority purchased sufficient State and Local Government Securities with the net proceeds from the Series 2005C Bonds for the retirement of the Series 1995 Bonds and placed it in an irrevocable escrow account with Bank One. On December 31, 2005, the irrevocable escrow account held sufficient cash to pay for the outstanding refunded principal of \$332,425,000 on the defeased Series 1995 Bonds. The difference between the reacquisition price and the net carrying amount of the Series 1995 Bonds (\$18,196,889) was deferred and is being amortized over the stated term of the Series 2005C Refunding Bonds. Amortization of the deferred amount on the refunding was \$1,396,602 for the year ended December 31, 2006.

**NORTH TEXAS TOLLWAY AUTHORITY
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December 31, 2006

The following schedule summarizes the revenue bonds outstanding as of December 31, 2006:

Description of issue	Beginning balance	Additions	Matured or retired	Ending balance	Due within one year
Series '97	\$ 105,920,000	—	(7,485,000)	98,435,000	7,975,000
Series '97A	108,570,000	—	(1,115,000)	107,455,000	1,165,000
Series '98	100,660,000	—	—	100,660,000	—
Series '03A	225,000,000	—	—	225,000,000	—
Series '03B	135,000,000	—	(9,755,000)	125,245,000	—
Series '03C	102,715,000	—	(8,920,000)	93,795,000	8,125,000
Series '05A	227,370,000	—	(500,000)	226,870,000	3,715,000
Series '05B	73,700,000	—	(2,700,000)	71,000,000	—
Series '05C	341,670,000	—	—	341,670,000	600,000
	<u>1,420,605,000</u>	<u>—</u>	<u>(30,475,000)</u>	<u>1,390,130,000</u>	<u>21,580,000</u>
Less:					
Unamortized deferred amount on refunding of revenue bonds	(54,833,381)	—	6,557,285	(48,276,096)	6,017,291
Bond discount/premium	21,521,721	385,878	(2,004,440)	19,903,159	(1,116,185)
Total	<u>\$ 1,387,293,340</u>	<u>385,878</u>	<u>(25,922,155)</u>	<u>1,361,757,063</u>	<u>26,481,106</u>

The revenue bond debt service requirements below are prepared as of December 31, 2006:

	Total revenue bonds		
	Principal amount	Interest amount	Total
Through January 1:			
2007	\$ 21,580,000	64,664,350	86,244,350
2008	23,240,000	62,957,122	86,197,122
2009	25,260,000	60,002,712	85,262,712
2010	26,010,000	56,928,565	82,938,565
2011	31,855,000	55,646,335	87,501,335
2012 – 2016	199,190,000	255,236,001	454,426,001
2017 – 2021	273,230,000	206,189,999	479,419,999
2022 – 2026	288,725,000	147,250,171	435,975,171
2027 – 2031	160,945,000	99,567,257	260,512,257
2032 – 2036	209,555,000	58,210,663	267,765,663
2037 – 2040	130,540,000	12,219,549	142,759,549
	<u>\$ 1,390,130,000</u>	<u>1,078,872,724</u>	<u>2,469,002,724</u>

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The Interest and Sinking and Reserve Accounts required by the Trust Agreement have been established with the Trustee. The balances as of December 31, 2006 were:

Bond interest account	\$ 21,188,657
Debt service reserve account	77,552,497
Redemption account	<u>22,008,278</u>
Total	\$ <u><u>120,749,432</u></u>

SWAP Transactions

Objective of the interest rate swap. In 2004, the Authority entered into multiple interest rate swap transactions in the collective notional amount of \$202,720,000 pursuant to ISDA Master Agreements dated and effective as of August 20, 2004 (the 2004 ISDA Master Agreements) with Citibank N.A., New York, Bear Stearns Financial Products Inc. and Lehman Brothers Special Financing Inc. (the Swap Providers) in connection with the then proposed refunding of a portion of the Dallas North Tollway System Revenue Bonds, Series 1995 (the Series 1995 Bonds) and the issuance of the Variable Rate Revenue Bonds, Series 2005C (the Series 2005C Bonds), (the 2004 Swap Transactions). Concurrently with the issuance of the Series 2005C Bonds in December 2005, the Authority and the Swap Providers also entered into multiple interest rate swap transactions in the collective nominal amount of \$138,950,000, effective as of December 15, 2005, pursuant to the 2004 ISDA Master Agreements relating to the portion of the Series 2005C Bonds issued to refund the remaining Series 1995 Bonds (the 2005 Swap Transactions, and together with the 2004 Swap Transactions, the Swap Transactions).

The intention of the Swap Transactions was to produce an overall fixed rate cost of funds related to the Series 1995 Bonds. The Swap Transactions were structured to lock in low rates, minimize the negative arbitrage in escrow, achieve higher present value savings than traditional fixed rate bond alternatives and increase future debt capacity. Total present value savings from these transactions were estimated at \$41.8 million.

Terms – 2004 Swap Transactions. Under the 2004 Swap Transactions, the Authority is obligated to make payments to the Swap Providers calculated at a fixed rate of 3.673% per annum and the Swap Providers are obligated to make floating rate payments to the Authority calculated at a rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) for U.S. deposits. The 2004 Swap Transactions have a stated final maturity date of January 1, 2023.

Terms – 2005 Swap Transactions. Under the 2005 Swap Transactions, the Authority is obligated to make payments to the Swap Providers calculated at a fixed rate of 3.533% per annum and the Swap Providers are obligated to make floating rate payments to the Authority calculated at a rate equal to 67% of the one-month LIBOR for U.S. deposits. The Series 2005C Bonds and the 2005 Swap Transactions have a stated final maturity date of January 1, 2025.

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December 31, 2006

As of December 31, 2006, rates were as follows: (see example in table below)

	<u>Terms</u>	<u>2004 swap rates December 31, 2006</u>	<u>2005 swap rates December 31, 2006</u>
Interest rate swap:			
Fixed payment to counterparties	Fixed	3.673%	3.533%
Variable payment from counterparties	67% of 1-Month LIBOR	3.566	3.566
Net interest rate swap payments		0.107	(0.033)
Variable rate bond coupon payments	+/- BMA	3.474	3.474
Synthetic interest rate on bonds		3.581	3.441

Fair value. As of December 31, 2006, the Swap Transactions had a negative fair value of \$3,880,811. The negative fair value signifies the amount that the Authority would owe to the Swap Providers upon the termination of all the Swap Transactions as of that date. The fair value was calculated by the Authority's financial advisor using a market quotation from the Swap Providers.

Credit risk. As of December 31, 2006, the Authority was not exposed to credit risk because the Swap Transactions had a negative fair value. However, should interest rates change and the fair value of the Swap Transactions become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

As of December 31, 2006 the Swap Providers' respective ratings by Moody's Investors Service (Moody's) and by Standard and Poor's Corporation (S&P) are as follows: Citibank N.A., New York Aaa/AA, Bear Stearns Financial Products Inc. Aaa/AAA, and Lehman Brothers Special Financing Inc. Aaa/AAA. Each party's portion of the 2004 Forward Swap and 2005 Current Swap agreement is 50%, 25%, 25%, and 25%, 50%, 25%, respectively.

Basis risk. Risk that the payment on the Series 2005C Bonds will exceed the swap receipt due the Authority due to a specific credit event or tax code change. As noted above, the Swap Transactions expose the Authority to basis risk should the relationship between LIBOR and BMA diverge, changing the synthetic rate on the Series 2005C Bonds. If a change occurs that results in the rates' moving to divergence, the expected cost savings may not be realized.

Termination risk. Termination risk exists only if (i) the Authority opts to terminate the Swap Transactions prior to maturity and the Swap Providers do not have sufficient funds owed to the Authority or (ii) the Authority's credit rating is reduced below investment grade and the Authority is unable to post sufficient collateral. Each of the 2004 ISDA Master Agreements may be terminated by the Authority if the respective Swap Provider does not maintain a credit rating of least Baa3 by Moody's or BBB- by S&P, in the case of Citibank N.A., New York and Bear Stearns Financial Products Inc, or A2 by Moody's or A by S&P, in the case of Lehman Brothers Special Financing Inc. If the respective Swap Provider's credit rating is reduced below A3 by Moody's or A- by S&P, in the case of Citibank N.A., New York, or A1 by Moody's or A+

**NORTH TEXAS TOLLWAY AUTHORITY
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December 31, 2006

by S&P in the case of Bear Stearns Financial Products, Inc. and Lehman Brothers Special Financing Inc., it is required to post collateral to the Authority's credit. If the swap is terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the termination the swap has a negative fair value, the authority would be liable to the Swap Providers for a payment equal to the swap's fair value.

The Swap Transactions are also subject to optional termination by the Authority at any time over the term of the Swap Transactions at the then prevailing market value. The Swap Providers do not have the elective right to optionally terminate the Swap Transactions.

Swap payments and associated debt. Using rates as of December 31, 2006, debt service requirements of the variable-rate and net swap payments, assuming current interest rates remain the same for the term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year	2005C Bonds Associated with 2004 swap		2004 Swap debt	Total
	Principal amount	Interest amount*	interest rate swap, net*	
2007	\$ 395,000	7,028,771	216,488	7,640,259
2008	415,000	7,014,353	216,044	7,645,397
2009	430,000	6,999,415	215,584	7,644,999
2010	450,000	6,983,782	215,102	7,648,884
2011	9,255,000	6,662,264	205,199	16,122,463
2012	9,630,000	6,327,717	194,895	16,152,612
2013	10,015,000	5,979,796	184,179	16,178,975
2014	10,425,000	5,617,632	173,024	16,215,656
2015	10,845,000	5,240,876	161,420	16,247,296
2016	11,280,000	4,849,009	149,351	16,278,360
2017	13,260,000	4,388,357	135,162	17,783,519
2018	14,240,000	3,893,659	119,926	18,253,585
2019	15,260,000	3,363,527	103,597	18,727,124
2020	16,080,000	2,804,908	86,392	18,971,300
2021	34,940,000	1,591,092	49,006	36,580,098
2022	37,320,000	294,595	9,074	37,623,669
2023	8,480,000	—	—	8,480,000
	<u>\$ 202,720,000</u>	<u>79,039,753</u>	<u>2,434,443</u>	<u>284,194,196</u>

* As rates vary, variable rate bond interest payments and net swap payments will vary.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

Fiscal year	2005C Bonds Associated with 2005 swap		2005 Swap debt	Total
	Principal amount	Interest amount*	interest rate swap, net*	
2007	\$ 205,000	4,820,001	(45,786)	4,979,215
2008	395,000	4,806,279	(45,656)	5,155,623
2009	410,000	4,792,036	(45,520)	5,156,516
2010	425,000	4,777,271	(45,380)	5,156,891
2011	440,000	4,761,986	(45,235)	5,156,751
2012	455,000	4,746,179	(45,085)	5,156,094
2013	470,000	4,729,851	(44,930)	5,154,921
2014	490,000	4,712,828	(44,768)	5,158,060
2015	510,000	4,695,111	(44,600)	5,160,511
2016	8,615,000	4,395,826	(41,757)	12,969,069
2017	440,000	4,380,540	(41,611)	4,778,929
2018	455,000	4,364,734	(41,461)	4,778,273
2019	475,000	4,348,232	(41,304)	4,781,928
2020	490,000	4,331,210	(41,143)	4,780,067
2021	510,000	4,313,492	(40,974)	4,782,518
2022	530,000	4,295,080	(40,800)	4,784,280
2023	31,915,000	3,186,353	(30,268)	35,071,085
2024	44,550,000	1,638,686	(15,566)	46,173,120
2025	47,170,000	—	—	47,170,000
	<u>\$ 138,950,000</u>	<u>78,095,695</u>	<u>(741,844)</u>	<u>216,303,851</u>

* As rates vary, variable-rate bond interest payments and net swap payments will vary.

Commercial Paper

On April 18, 2001, the Authority's Board of Directors authorized the Dallas North Tollway System Tax-Exempt Commercial Paper program for capital improvements to the System, limited to \$200,000,000 commercial paper outstanding and maturity terms of not more than 270 days for interim financing of capital improvements. At any time, the Authority may retire commercial paper through refinancing with revenue bonds or use of other available funds. In fiscal year 2006, the Authority issued \$25,000,000 of commercial paper to finance the feasibility study and design of Southwest Parkway and PGBT Eastern Extension projects. The \$25,000,000 was outstanding at December 31, 2006 with an interest rate of 3.60%.

Commercial paper notes are supported by a bank line of credit in excess of \$100,000,000 and constitute an obligation subordinate to the System's revenue bonds. Any advances for payments of commercial paper under the line of credit are secured by a subordinate lien on System revenues. No such advances have occurred. The credit agreement was renewed on January 3, 2005; the Authority maintained its commercial paper program in fiscal year 2006.

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Loans Payable

Additionally, the Authority funded, in part, costs of the construction of the PGBT with proceeds from a loan, which totaled \$135,000,000, made by TxDOT in 1995 pursuant to the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Repayment of the loan to TxDOT is to be made from amounts on deposit in the Capital Improvement Fund with payments subordinate to bonds or other obligations of the System issued or entered into and secured by the tolls and revenues of the system. Interest at the rate of 4.2% began to accrue on October 1, 2000, compounding annually on January 1, with the first payment made in October 2004. A payment of \$8,250,000 was made during 2006. Accrued interest payable was \$22,623,661 as of December 31, 2006.

TxDOT has incurred \$4,600,000 in costs for interchange improvements relating to the PGBT, which will be repaid by the System. Repayment of these costs will be paid in annual payments (without interest) of \$500,000 beginning on October 1 of the year after the ISTEA loan is fully paid, currently 2029.

Debt service requirements on the TxDOT loan payable and TxDOT ISTEA loan payable subsequent to December 31, 2006 are as follows:

Fiscal years	TxDOT Loan payable		TxDOT Loan payable	
	Principal	Interest	Principal	Interest
2007	\$ —	—	1,476,307	6,273,693
2008	—	—	1,288,312	6,211,688
2009	—	—	1,592,421	6,157,579
2010	—	—	2,159,303	6,090,697
2011	—	—	2,249,993	6,000,007
2012 – 2016	—	—	11,684,603	28,565,397
2017 – 2021	—	—	37,632,736	24,762,057
2022 – 2026	—	—	62,473,084	14,138,897
2027 – 2031	1,000,000	—	28,816,882	1,827,910
2032 – 2036	2,500,000	—	—	—
2037 – 2040	1,100,000	—	—	—
Total due	4,600,000	—	149,373,641	100,027,925
Interest prior to 2006	—	—	(14,373,641)	14,373,641
Total principal and interest	\$ 4,600,000	—	135,000,000	114,401,566

Included in the ISTEA Loan Payable amounts is \$14,373,641 of interest expense incurred from fiscal years 2000 through 2003. The Authority was not required to begin payments of these amounts until 2004.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

(6) Employees' Retirement Plan

As discussed in note 1, effective September 1, 1997, the Authority, a regional tollway authority under Chapter 366, Transportation Code, became the successor agency to the Texas Turnpike Authority. In connection with this transition, the Authority changed from being a participant in the plans administered by the Employees Retirement System of Texas (Retirement), which are considered single employer defined benefit pension plans, to being a participant in the Texas County and District Retirement System (TCDRS), which is a nonprofit public trust fund that provides pension, disability, and death benefits to eligible employees of the counties and districts that participate in TCDRS. Information related to the TCDRS, the Authority's 401(k) plan, and its refrain from participation in Social Security is included herein.

A separate audited GAAP-basis pension plan report for ERS is available at www.ers.state.tx.us/Publications/FinancialReports.

Texas County and District Retirement System

TCDRS, an agent multiple-employer public employee retirement system, was established by legislative act in 1967 as a nontraditional, joint contributory, defined benefit plan. Individuals are required to become a TCDRS member at the time of their employment regardless of their age, unless the individual is ineligible for one of the reasons specified by the TCDRS (e.g., part time, temporary employee).

The governing body of the political subdivision determines the percentage of salary that both the individual and employer contribute toward retirement. The employee and employer contribution rate established was 6% and 8.21% of wages up to a maximum of \$220,000, respectively, at December 31, 2006.

Once an individual reaches vested status, he or she may end employment with a TCDRS subdivision and retain his or her right to future benefits as long as the individual does not die or withdraw personal contributions. Once a vested employee has satisfied both the service and age requirements for retirement, he or she is considered retirement eligible. Employees are eligible to receive lifetime monthly pension payments following the termination of their employment if the individual has 10 or more years of service credit at age 60 or older or the individual has 30 or more years of service credit at any age.

An individual is also eligible to receive lifetime monthly pension payments after his or her termination of employment if his or her political subdivision has authorized, and the individual has satisfied 10 years of service credit at age 60 or older or the individual's combined age and total service is 75 years or more.

If an individual is eligible for service or disability retirement pension payments, the amount of the lifetime monthly pension to be received after retirement is determined by dividing the total dollars of accumulated retirement credit earned at retirement by the appropriate annuity purchase rate used to convert dollars of retirement credit to a lifetime monthly pension payment.

If an individual has at least ten years of service credit and becomes disabled for any reason, the individual may be approved for disability retirement benefits if the TCDRS Medical Board finds that the individual is mentally or physically incapacitated for any gainful occupation and the incapacity is considered permanent.

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Notes to Basic Financial Statements

December 31, 2006

Total pension expense allocated to the System by the Authority for the year ended December 31, 2006, was \$2,143,060 based on a covered payroll of \$26,103,041. The Authority made the actuarially required contribution. Employee contributions to the plan for the year ended December 31, 2006 were \$1,566,182.

A separate audited GAAP-basis pension plan report for TCDRS is available at www.tcdrs.org/docs.

**Actuarial valuation information
(unaudited)**

Actuarial valuation date	December 31, 2003	December 31, 2004	December 31, 2005
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	20.00	20.00	20.00
Asset valuation method	Long-term appreciation with adjustments	Long-term appreciation with adjustments	Long-term appreciation with adjustments
Actuarial assumptions:			
Investment return*	8.0%	8.0%	8.0%
Projected salary increases	6.0	5.5	5.3
Inflation	4.0	3.5	3.5
Cost-of-living adjustments	—	—	—

* Includes inflation at the stated rates.

**Trend information for the retirement plan
for the employees of the Authority**

<u>Accounting year ended</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
December 31, 2002	\$ 1,389,162	100%	—
December 31, 2003	1,648,653	100	—
December 31, 2004	1,812,344	100	—
December 31, 2005	1,999,030	100	—

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

Schedule of Funding Progress

Last three calendar years

(Unaudited)

	December 31, 2003	December 31, 2004	December 31, 2005
Actuarial value of assets	\$ 11,178,635	14,695,673	18,812,011
Actuarial accrued liability	12,028,119	15,396,846	19,904,938
Percentage funded	93	95	95
Unfunded (overfunded) actuarial accrued liability (UAAL)	849,484	701,173	1,092,927
Annual covered payroll	18,665,087	20,571,788	23,407,840
UAAL as a percentage of covered payroll	4.55%	3.41%	4.67%

401(k) Plan

As a state agency of the State of Texas, the Texas Turnpike Authority was a participating employer in the State of Texas TexaSaver 401(k) Profit Sharing Plan sponsored by the Employees Retirement System of Texas. The Texas Turnpike Authority, as a state agency, was permitted to participate in the Employees Retirement System of Texas under Section 812.003 of the Texas Government Code.

Because the Act established the Authority as a political subdivision of the State of Texas instead of a state agency, it is no longer eligible to participate in the TexaSaver 401(k) Plan maintained by the Employees Retirement System of Texas. As a successor of the Texas Turnpike Authority, however, the Authority is eligible under current IRS rules and regulations to adopt the North Texas Tollway Authority 401(k) Plan as a successor qualified cash or deferred arrangement to the TexaSaver 401(k) Plan.

Prior to 1986, the IRC of 1986 permitted state or local governments and tax-exempt organizations to maintain qualified cash or deferred arrangement. The Tax Reform Act (TRA) of 1986 amended IRC to provide that a cash or deferred arrangement shall not be treated as a "qualified cash or deferred arrangement" if it is part of a retirement plan maintained by a governmental unit. However, TRA 1986 provides specific exception for cash or deferred arrangements adopted by a governmental unit prior to 1986 (Grandfather Employer). The Authority, a government entity is eligible to adopt the 401(k) plan because it is a successor entity to the Texas Turnpike Authority, a Grandfathered Employer, and is adopting a cash or deferred arrangement substantially similar to the Texas Turnpike Authority's cash or deferred arrangement.

Effective September 1, 1997, each Authority employee became eligible to participate in the North Texas Tollway Authority 401(k) plan, a defined contribution plan. The plan requires that each employee be required to make a mandatory employee contribution, deposited by the Authority towards the cost of the 401(k) plan, in an amount equal to 4% of total wages. All mandatory employee contributions to the 401(k) plan for payroll periods following September 1, 1997 shall be made on a pretax basis, provided they are subject to the Hospital Insurance portion of the Federal Insurance Contributions Act and the Federal Unemployment Tax Act and the withholding of those Acts. Employee contributions and plan earnings are

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

vested at all times and a terminating employee shall be paid all mandatory contributions and plan earnings pursuant to the plan's terms. The Authority is authorized to make discretionary employer matching contributions in such amounts as may be determined by the board, and Authority employees are vested in employer contributions at 20% after five years services, 40% after seven years, 60% after eight years, 80% after nine years, and 100% after ten or more years. Former Texas Turnpike Authority employees employed by the Authority on or before October 31, 1997 shall receive past service credit for service with the Texas Turnpike Authority for purposes of determining the vested percentage and the Authority's Board of Directors is allowed to further amend or terminate the plan at any time.

Total 401(k) contributions allocated to the Tollway by the Authority for the year ended December 31, 2006 were \$882,257 based on a covered payroll of \$25,207,336.

Social Security

Effective September 1, 1997, the Authority elected to refrain from participation in Social Security and instead participated in both the TCDRS and the Authority 401(k) plan. The Authority requires mandatory employee participation in both of these plans.

(7) Risk Management

In 1997, the Authority terminated its limited risk management program for workers' compensation. The remaining liability for claims is reported in the Operation and Maintenance Fund. As of December 31, 2006, \$321,416 is accrued to recognize actuarially determined claim liabilities. No claims have been filed in the years 2004, 2005, or 2006.

An external insurance company now insures the Authority for workers' compensation. The Authority purchases insurance policies for all major areas of operation including buildings and contents, bridges, general liability, commercial umbrella, crime, directors and officers liability, and boiler and machinery coverage. There have not been any settlements exceeding insurance coverage in the years 2004, 2005, or 2006.

(8) Post Employment Benefits

The Authority provides post employment health care benefits to all retired employees of the System covered by the Employee Retirement System of Texas plan, funded on a pay-as-you-go basis. Currently, 56 individuals meet these requirements to be included in the Employee Retirement System of Texas plan. During the year ended December 31, 2006, expenses of \$272,385 were recognized for post employment health care premiums paid.

In addition, the Authority provides post employment health care benefits through the Authority's Health Benefits plan to all retired employees not covered under the Employee Retirement System of Texas plan. Currently, three individuals meet the requirements to be included in the Authority's plan. The plan is funded on a pay-as-you-go basis with \$1,506,484 reserved for future health benefits. During the year ended December 31, 2006, expenses of \$16,612 were recognized for post employment health care premiums paid.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

(9) Desegregation of Receivable Balances

Due to the nature of the System's operations, accounts receivable are immaterial to the total assets of the System. 51% of the \$3,621,192 of accounts receivable at December 31, 2006 is from TxDOT related to various construction agreements; 21% from damage claims, 16% lease management company, 10% from Denton County, and 2% miscellaneous other.

(10) Commitments and Contingencies

The System currently has \$176,132,322 in investments that are restricted for construction and \$16,017,597 in current liabilities that are comprised of construction-related payables at December 31, 2006. Additionally the System has contract and purchase order commitments at December 31, 2006 aggregating \$216,587,395. This amount includes \$166,453,252 of construction contracts payable from the Construction and Property Fund. At December 31, 2006, the System had \$160,114,725, in uncommitted funds that are restricted for construction.

The Authority is currently evaluating several System maintenance, rehabilitation, and capital improvement projects with an estimated cost of approximately \$543 million, which may be funded from the System's Reserve Maintenance Fund, the Construction Fund, or the Capital Improvement Fund over the next six years.

The Authority has an operating lease agreement for the rental of the TollTag Store. The term of the lease was extended through June 30, 2009. Lease expense for the year ended December 31, 2006 totaled \$93,251, under this lease. The following represents required remaining payments under the terms of the TollTag Store lease agreement:

2007	\$	95,774
2008		95,774
2009		<u>47,887</u>
	\$	<u><u>239,435</u></u>

The Authority terminated the operating lease agreement for the rental of the Administration annex building effective June 30, 2006. Lease expense for the year ended December 31, 2006 totaled \$94,152, representing payments through June 2006.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Notes to Basic Financial Statements

December 31, 2006

The Authority entered into a property management agreement on July 1, 2005 and ending April 2, 2006, to manage existing leases of the Gleneagles buildings, this agreement was on a month-to-month basis at December 31, 2006. An operating account funded with operating lease payments was established for the Manager to handle all expenses. As of December 31, 2006 this account had a balance of \$666,821. The building complex encompasses 163,380 square feet of which 48,004 is occupied by the Authority, 68,445 is leased, and 46,931 is vacant. The leased space is divided into three leases; one for 22,369 sq. ft. beginning July 1, 2005 and expiring March 31, 2010, one for 30,518 sq. ft. beginning July 1, 2005 and expiring December 31, 2010, and one for 15,558 sq. ft. beginning July 1, 2005 and expiring October 31, 2007. The following represents minimum future rentals on non-cancelable operating lease agreements:

2007	\$	1,221,827
2008		993,162
2009		1,004,347
2010		<u>696,773</u>
	\$	<u><u>3,916,109</u></u>

On August 19, 1993, the Board authorized the creation of a Revolving Fund as permitted by Senate Bill 242. The System entered into a Memorandum of Understanding with Collin County and Dallas County to fund the Revolving Fund from capital improvement funds from the System, if matched by a contribution by the TxDOT. To date, the TxDOT has not taken any action regarding its contribution to the Revolving Fund, nor has the Board acted to establish the Revolving Fund.

The System is not a defendant in any litigation matters that would have a material affect on the financial statements.

(11) Subsequent Events

Effective January 1, 2007 the 401(k) employee vesting schedule related to the employers portion of the 401(k) contribution was changed to 100% vesting after five years of service.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Modified Approach – Infrastructure Assets

Required Supplementary Information

December 31, 2006

Modified Approach

The Authority has elected to use the Modified Approach to account for maintenance of the System’s infrastructure assets. As required by the Trust Agreement, an annual inspection of the System’s roadways has occurred, conducted by the Authority’s General Engineering Consultant, HNTB Corporation. This inspection provides an overall rating, indicating the average condition of all of the System’s infrastructure assets (roadways, bridges, and facilities). The assessment of conditions is made by visual and mechanical tests designed to reveal any condition that would reduce user benefits below the maximum level of service. The Authority’s goal is to maintain the System’s infrastructure assets at a rating of 8 or better (1 to 10 scale), and has established a minimum level for GASB No. 34 purposes of a condition level of 6 or greater. These condition levels were adopted by the Board of Directors for the North Texas Tollway Authority (NTTA) by Resolution No. 02-31 on June 19, 2002.

The infrastructure assets include the President George Bush Turnpike (PGBT), the Dallas North Tollway (DNT), the Addison Airport Toll Tunnel (AATT), the Mountain Creek Lake Bridge (MCLB), Main Lane Plazas, Ramp Plazas, maintenance shops, administration buildings, and IT lane equipment. The roadways are a major transportation network consisting of 54 centerline miles of high-speed roadways, 50 interchanges, 10 main lane toll plazas, 52 ramp toll plazas, 192 bridges, one tunnel, and other structures and appurtenances. All assets combined totaled approximately \$1.2 billion in current replacement value.

Condition Index

A Condition Index is a measure of the “intrinsic value” of the asset as opposed to the book value. A Condition Index with a value of 10.0 is considered “like new”; on the contrary, a Condition Index with a value of 0.0 is considered “unusable.” Evaluations were performed on all of the assets under System jurisdiction. The evaluation resulted in an average Condition Index of 8.9 for all of the assets combined. The following table shows the Condition Index for the years 2004 through 2006.

Condition Index Table		
Condition index		
	Current	Goal
Fiscal year:		
2006	8.9	8.0
2005	8.8	8.0
2004	8.8	8.0

Condition Assessment and Inventory

A comprehensive condition assessment on all the System’s assets was conducted in March 2006. The Authority’s Maintenance Management Consultant, performed condition assessments of the System’s roadways including pavement, bridges, and facilities. Fleet, being the fourth major asset, was inspected and evaluated by the NTTA staff. Assessment procedures and representative work samples were reviewed by NTTA’s General Engineering Consultants, HNTB Corporation.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Modified Approach – Infrastructure Assets

Required Supplementary Information

December 31, 2006

Bridges

A condition assessment was performed on the Authority's bridges using the *Recording and Coding Guide for the Structure Inventory and Appraisal of the Nation's Bridges*, published by the Federal Highway Administration (FHWA). To do this, a Sufficiency Rating was determined by totaling four separate factors using the sufficiency rating formula. The Sufficiency Rating Formula is a method of evaluating highway bridge data by calculating the four factors to obtain a numeric value, which is indicative of bridge sufficiency. The four factors are structural adequacy and safety (55% of the total rating), serviceability and functional obsolescence (30% of the total rating), essentiality for public use (15% of the total rating), and special reductions (total can be reduced by up to 13%).

Currently, the 192 bridges, totaling 8,300,000 square feet of deck area, have a Sufficiency Rating at 9.4. In order to maintain the current Sufficiency Rating, FY 2007 preservation budget of \$397,000 is recommended.

Roadways

A condition assessment was performed on the System's roadways using the *Highway Maintenance Condition Assessment Program* (HMCAP) developed by Roy Jorgensen Associates, Inc., the pavement Condition Rating System (CRS) developed by Applied Research Associates, Inc., and the Pavement Condition Index (PCI) procedure as outlined in ASTM D5340. To do this, a Maintenance Rating Program (MRP) Index was determined by visual inspection of the System's roadways, appurtenances, and edge conditions. Additionally, a baseline PCI and a baseline rideability survey were conducted on the roadway surface and incorporated into the MRP Index. Although the PCI and rideability survey were conducted on the entire System, it would have been impractical to perform a MRP evaluation over the same length; therefore, 10% of the System's total roadways were randomly selected for MRP evaluation. These values were then weighted and totaled to determine an overall MRP Index. Of this total MRP Index, travel lanes and shoulders account for 70% (of which the PCI accounts for 80%), roadside components accounted for 15%, and other items account for 15%.

The Roadway Index (RI) is a measure of the overall health of the roadway system that takes into account the current condition of the roadway, how well it is being maintained, and its projected future performance. It is calculated using the results of the annual MRP and pavement condition surveys. In 2006 the RI was revised to use CRS pavement condition ratings in place of the PCI ratings and incorporates remaining pavement service life (RSL). RI is equal to the values of 50% of CRS, 30% RSL, 10% MRP of travel lane element, 5% MRP of roadside element, and 5% MRP of other element.

Currently, the 54 centerline miles (approximately 314 lane miles) of main lane roadways have a Roadway Index of 8.8. In order to maintain the current condition rating, a FY 2007 preservation budget of \$6,739,000 is recommended.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Modified Approach – Infrastructure Assets

Required Supplementary Information

December 31, 2006

The budget-to-actual expenditures for preservation and other infrastructure maintenance costs were as follows for the years 2002 through 2006.

	<u>Budget</u>	<u>Actual</u>
Fiscal year:		
2006	\$ 34,574,405	29,186,456
2005	20,552,627	13,704,971
2004	25,518,270	15,319,100
2003	15,005,598	12,422,078
2002	13,000,000	15,550,430

Schedule 1

Operation and maintenance account	Reserve maintenance account	Capital improvement account	Debt service accounts		
			Bond interest account	Reserve account	Redemption account
15,144,181	132,320	4,799,231	—	—	—
65	19,460,351	97,975,739	—	—	—
35,976	210,042	612,480	93,297	516,190	3,128
766,350	8,682	17,000	—	—	—
824,288	106,380	—	—	—	—
75,896	—	2,589,543	7,275,031	—	—
—	—	—	—	—	—
485,133	—	—	—	—	—
<u>17,331,889</u>	<u>19,917,775</u>	<u>105,993,993</u>	<u>7,368,328</u>	<u>516,190</u>	<u>3,128</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	21,315,000
—	—	—	21,188,657	77,552,497	693,278
—	—	—	<u>21,188,657</u>	<u>77,552,497</u>	<u>22,008,278</u>
—	—	653,524	—	—	—
—	—	—	—	—	—
—	—	653,524	—	—	—
<u>17,331,889</u>	<u>19,917,775</u>	<u>106,647,517</u>	<u>28,556,985</u>	<u>78,068,687</u>	<u>22,011,406</u>
4,597,670	4,538,191	8,741,661	—	—	—
69,938	566,095	1,952,938	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
3,588,031	—	2,134,000	—	—	—
34,137	—	—	—	—	—
—	—	—	—	—	—
<u>8,289,776</u>	<u>5,104,286</u>	<u>12,828,599</u>	<u>—</u>	<u>—</u>	<u>—</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	26,038,334	—	—
—	—	—	—	—	—
—	—	24,658	—	—	—
—	—	—	—	—	—
—	—	25,000,000	—	—	—
—	—	—	—	—	—
—	—	<u>25,024,658</u>	<u>26,038,334</u>	<u>—</u>	<u>—</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>8,289,776</u>	<u>5,104,286</u>	<u>37,853,257</u>	<u>26,038,334</u>	<u>—</u>	<u>—</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	10,530,000	2,518,651	78,068,687	21,580,000
6,985,530	—	—	—	—	—
—	—	—	—	—	—
—	—	56,764,870	—	—	—
—	—	—	—	—	431,406
2,056,583	14,813,489	1,499,390	—	—	—
<u>9,042,113</u>	<u>14,813,489</u>	<u>68,794,260</u>	<u>2,518,651</u>	<u>78,068,687</u>	<u>22,011,406</u>

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Schedule of Budget and Actual Revenues and Expenses on Trust Agreement Basis

Year ended December 31, 2006

(Unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Toll revenues	\$ 197,052,500	191,434,120	(5,618,380)
Interest revenue	5,800,000	11,612,030	5,812,030
Other revenue	6,134,800	6,647,546	512,746
	<u>208,987,300</u>	<u>209,693,696</u>	<u>706,396</u>
Gross revenues			
Operating expenses:			
Administration:			
Accounting	323,700	273,744	49,956
Administration	1,984,400	1,976,554	7,846
Community affairs	1,981,900	1,632,834	349,066
Finance	1,248,000	1,439,529	(191,529)
Human resources	1,132,700	1,120,851	11,849
Legal	1,940,700	1,563,157	377,543
Procurement Services	383,100	384,990	(1,890)
Revenue Audit	395,900	317,771	78,129
Shared Services	203,600	189,622	13,978
	<u>9,594,000</u>	<u>8,899,052</u>	<u>694,948</u>
Operations:			
Command Center	3,663,600	2,494,003	1,169,597
Customer Service Center	10,112,800	8,838,854	1,273,946
Engineering	929,100	923,451	5,649
Information technologies	5,992,400	6,037,976	(45,576)
Insurance	8,501,600	8,501,600	—
Maintenance	8,291,600	7,704,190	587,410
Toll collection	14,453,700	14,227,281	226,419
Toll programs and services	415,900	324,503	91,397
Utilities	1,962,200	2,163,619	(201,419)
Vault	1,289,500	1,306,629	(17,129)
	<u>55,612,400</u>	<u>52,522,106</u>	<u>3,090,294</u>
Total operating expenses	<u>65,206,400</u>	<u>61,421,158</u>	<u>3,785,242</u>
Net revenues available for debt service	<u>\$ 143,780,900</u>	<u>148,272,538</u>	<u>4,491,638</u>

See accompanying independent auditors' report.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Schedule of Changes in Net Assets by Trust Account

December 31, 2006

(Unaudited)

	<u>Total</u>	<u>Construction and property account</u>	<u>Revenue account</u>
Net assets, beginning of year	\$ 505,048,661	272,388,552	(75,948)
Gross revenues	218,279,330	8,585,633	199,405,500
Net increase (decrease) in the fair value of investments	2,335,448	1,707,204	59,934
Gain (loss) on sale of investments	(153,423)	(153,423)	—
Administration and Operations expenses	(61,421,156)	—	—
Bond interest expense	(64,664,350)	—	—
Bond discount/premium amortization	1,618,563	1,618,563	—
Interest on commercial paper notes	(24,658)	—	—
Amortization of deferred amount on refunding (note 5)	(6,557,286)	(6,557,286)	—
Reserve Maintenance Fund expenses	(22,771,922)	—	—
Capital Improvement Fund expenses	(31,975,003)	—	—
Transfer of capitalized interest on construction fund investments	—	(11,250,000)	—
Net revenues	34,665,543	(6,049,309)	199,465,434
Interfund transactions:			
Distribution from Revenue Fund	—	—	(199,405,500)
Revenue bonds retired	—	19,700,000	—
Transfer to Debt Service Fund	—	—	—
Transfer to/from Construction Fund	—	(11,042,020)	—
Capitalized costs transferred to Construction and Property Fund	—	34,723,352	—
Principal value retired	10,775,000	10,775,000	—
Transfer from/to Escrow account	(9,766,910)	—	—
Transfer to Employees Healthcare Trust Account	(11,301)	—	—
Capitalization of investment earnings in excess of capitalized interest and amortization of bond discount and deferred amount on refunding	7,756,513	7,756,513	—
Transfer to Feasibility Study Fund	(25,000,000)	—	—
Depreciation on equipment	(2,126,037)	(2,126,037)	—
Equity realized from sale excess land	16,474	—	—
Equity realized from sale or trade-in of equipment	700	—	—
Net changes during the year	16,309,982	53,737,499	59,934
Net assets, end of year	\$ 521,358,643	326,126,051	(16,014)

See accompanying independent auditors' report.

Schedule 3

Operation and maintenance account	Reserve maintenance account	Capital improvement account	Debt service accounts		
			Bond interest account	Reserve account	Redemption account
5,838,993	24,419,012	93,859,888	2,600,404	88,704,531	17,313,229
205,441	1,329,328	3,637,485	771,578	3,585,711	758,654
(4)	3,768	486,073	(2)	78,475	—
—	—	—	—	—	—
(61,421,156)	—	—	—	—	—
—	—	—	(64,664,350)	—	—
—	—	—	—	—	—
—	—	(24,658)	—	—	—
—	—	—	—	—	—
—	(22,771,922)	—	—	—	—
—	—	(31,975,003)	—	—	—
—	—	—	11,250,000	—	—
(61,215,719)	(21,438,826)	(27,876,103)	(52,642,774)	3,664,186	758,654
64,430,140	15,463,600	47,844,336	52,536,913	—	19,130,511
—	—	—	—	—	(19,700,000)
—	—	—	24,108	(4,540,613)	4,516,505
—	—	11,042,020	—	—	—
—	(3,647,471)	(31,075,881)	—	—	—
—	—	—	—	—	—
—	—	—	—	(9,759,417)	(7,493)
(11,301)	—	—	—	—	—
—	—	—	—	—	—
—	—	(25,000,000)	—	—	—
—	—	—	—	—	—
—	16,474	—	—	—	—
—	700	—	—	—	—
3,203,120	(9,605,523)	(25,065,628)	(81,753)	(10,635,844)	4,698,177
9,042,113	14,813,489	68,794,260	2,518,651	78,068,687	22,011,406

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Schedule of Cash Receipts and Disbursements by Trust Account

Year ended December 31, 2006

(Unaudited)

	Total (memorandum only)	Construction and property account	Revenue account
Balance of cash, December 31, 2005	\$ 36,707,936	—	2,222,229
Receipts:			
Toll revenues	186,203,149	—	186,203,149
Issuance of short term notes	25,000,000	—	—
Matured investments (purchase price)	1,224,308,511	373,888,000	248,679,182
Earnings received from investments	21,789,262	9,865,615	1,168,213
Gain/loss from sale of investments	(153,423)	(153,423)	—
Prepaid customers' accounts	183,159,675	—	183,159,675
TollTag deposits	8,938	—	8,938
Damage claims collected	101,947	—	—
Reimbursable receipts	1,856,503	—	—
Rental fee	192,142	—	192,142
Lane violation fee	3,285,532	—	3,285,532
Miscellaneous revenue	6,379	—	5,679
Miscellaneous revenue – tag store	3,380,052	—	3,380,052
Total receipts	<u>1,649,138,667</u>	<u>383,600,192</u>	<u>626,082,562</u>
Disbursements:			
Transfer to escrow for defeasance	(9,766,910)	—	—
Revenue bonds retired	(19,700,000)	—	—
Interest on bonded debt	(64,547,995)	—	—
Interest on other debt	—	—	—
Damage claims	—	—	—
Interim investments	(1,110,584,177)	(265,278,153)	(250,722,030)
Operating expenses	(64,419,975)	—	(3,914,653)
Reserve maintenance fund expenses	(14,168,052)	—	—
Capital improvement fund expenses	(35,088,168)	—	—
Capitalized costs	(114,786,051)	(89,682,542)	—
Equipment (net of trade-in)	(7,718,324)	—	—
Total disbursements	<u>(1,440,779,652)</u>	<u>(354,960,695)</u>	<u>(254,636,683)</u>
Interfund and interproject transactions:			
Distribution from Revenue Fund	—	—	(196,272,900)
Transfer of capitalized interest	—	(11,250,000)	—
Transfer of excess monies	—	—	—
Transfer of deferred revenue	(140,553,304)	—	(140,553,304)
Interoperative Agencies Transfers	(34,919,441)	—	(35,152,688)
Other interfund transactions – net	—	(15,417,369)	—
North Texas Tollway Transition Trust Fund – net	3,000	—	3,000
North Texas Tollway Authority Feasibility Study Fund – net	(26,514,258)	(1,972,128)	—
	<u>(201,984,003)</u>	<u>(28,639,497)</u>	<u>(371,975,892)</u>
Receipts over (under) disbursements and interfund and interproject transactions for the year ended December 31, 2006	<u>6,375,012</u>	<u>—</u>	<u>(530,013)</u>
Balance of cash, December 31, 2006	<u>\$ 43,082,948</u>	<u>—</u>	<u>1,692,216</u>

See accompanying independent auditors' report.

Schedule 4

Operation and maintenance account	Reserve maintenance account	Capital improvement account	Debt service accounts		
			Bond interest account	Reserve account	Redemption account
11,432,445	221,438	12,738,074	—	—	10,093,750
—	—	—	—	—	—
—	—	25,000,000	—	—	—
—	73,455,875	185,988,651	116,450,053	156,451,560	69,395,190
191,545	1,230,391	3,596,179	736,920	4,243,417	756,982
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
101,947	—	—	—	—	—
—	—	1,856,503	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	700	—	—	—	—
—	—	—	—	—	—
293,492	74,686,966	216,441,333	117,186,973	160,694,977	70,152,172
—	—	—	—	(9,759,417)	(7,493)
—	—	—	—	—	(19,700,000)
—	—	—	(64,547,995)	—	—
—	—	—	—	—	—
—	—	—	—	—	—
(3)	(67,949,866)	(200,025,317)	(117,343,416)	(146,394,947)	(62,870,445)
(60,505,322)	—	—	—	—	—
—	(14,168,052)	—	—	—	—
—	—	(35,088,168)	—	—	—
—	(2,322,144)	(22,781,365)	—	—	—
—	(4,838,250)	(2,880,074)	—	—	—
(60,505,325)	(89,278,312)	(260,774,924)	(181,891,411)	(156,154,364)	(82,577,938)
60,404,123	15,463,600	47,844,336	53,430,330	—	19,130,511
—	—	—	11,250,000	—	—
—	—	—	24,108	(2,700,000)	2,675,892
—	—	—	—	—	—
233,247	—	—	—	—	—
2,789,433	(961,372)	13,589,308	—	(1,840,613)	1,840,613
—	—	—	—	—	—
496,766	—	(25,038,896)	—	—	—
63,923,569	14,502,228	36,394,748	64,704,438	(4,540,613)	23,647,016
3,711,736	(89,118)	(7,938,843)	—	—	11,221,250
15,144,181	132,320	4,799,231	—	—	21,315,000

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Schedule 5

Schedule of Capitalized Costs by Bond Issue

(Unaudited)

Year ended December 31, 2006

	Cumulative total through December 31, 2006
Cumulative from 1989, 1990, 1993, and 2003C bond issues:	
Preliminary costs	\$ 24,482,920
Construction	338,885,366
Right-of-way	59,817,569
Engineering	41,683,857
Administration	4,747,687
Equipment, net of accumulated depreciation	35,132
Subtotal	<u>469,652,531</u>
Financing costs	<u>57,228,712</u>
Total capitalized costs – 1989, 1990, 1993, and 2003C bond issues	<u>526,881,243</u>
Series 1994 bond issue:	
Preliminary costs	1,244,082
Construction	18,196,716
Right-of-way	617,278
Engineering	4,394,662
Administration	295,203
Subtotal	<u>24,747,941</u>
Financing costs	<u>(223,385)</u>
Total capitalized costs – Series 1994 bond issue	<u>24,524,556</u>
Series 1995, 2003A, 2003B, and 2005C bond issues:	
Preliminary costs	17,864,174
Construction	612,016,969
Right-of-way	92,774,116
Engineering	92,741,940
Administration	23,587,061
Equipment, net of accumulated depreciation	3,212,997
Subtotal	<u>842,197,257</u>
Financing costs	<u>38,700,976</u>
Total capitalized costs – Series 1995, 2003A, and 2003B bond issues	<u>880,898,233</u>
Series 1998 bond issue:	
Preliminary costs	1,596,208
Construction	68,433,928
Right-of-way	16,459
Engineering	8,981,476
Administration	233,830
Subtotal	<u>79,261,901</u>
Financing costs	<u>11,252,434</u>
Total capitalized cost – Series 1998 bond issue	<u>90,514,335</u>
Series 2005A and 2005B bond issue:	
Preliminary costs	4,734,634
Construction	136,241,233
Right-of-way	566,528
Engineering	23,378,643
Administration	556,602
Equipment, net of accumulated depreciation	26,954
Subtotal	<u>165,504,594</u>
Financing costs	<u>(17,037,211)</u>
Total capitalized cost – Series 1998 bond issue	<u>148,467,383</u>
Lewisville Lake Toll Bridge	
Preliminary costs	38,719
Construction	1,451,438
Right-of-way	13,177
Engineering	5,350,774
Administration	127,967
Equipment, net of accumulated depreciation	—
Subtotal	<u>6,982,075</u>
Financing costs	<u>(49,058)</u>
Total capitalized cost – LLTB	<u>6,933,017</u>
All Series:	
Preliminary costs	49,960,737
Construction	1,175,225,650
Right-of-way	153,805,127
Engineering	176,531,352
Administration	29,548,350
Equipment, net of accumulated depreciation	3,275,083
Subtotal	<u>1,588,346,299</u>
Financing costs	<u>89,872,468</u>
Total capitalized cost	<u>\$ 1,678,218,767</u>

(1) Total capitalized cost includes \$(19,903,159) related to bond discount/(premiums), which have been capitalized in accordance with the Trust Agreement. These costs are netted against revenue bonds within the statement of net assets.

See accompanying independent auditors' report.

NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM

Bond Maturity Information
Year ended December 31, 2006

Due January 1,	Series 1997 Bonds			Series 1997A Bonds			Series 1998 Bonds			Series 2003A Bonds			Series 2003B Bonds		
	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate
2007	\$ 7,975,000	5,652,150	6.50%	\$ 1,165,000	5,429,981	4.60%	\$ —	4,763,827	4.10%	\$ —	11,250,000	5.00%	\$ —	6,750,000	5.00%
2008	8,490,000	5,133,775	6.50	1,220,000	5,376,391	4.70	120,000	4,763,827	4.10	—	11,250,000	5.00	—	6,750,000	5.00
2009	9,850,000	4,581,925	6.50	1,280,000	5,319,051	4.80	425,000	4,758,907	4.20	—	11,250,000	5.00	—	5,544,751	5.00
2010	10,495,000	3,941,675	5.00	1,340,000	5,257,611	5.00	760,000	4,741,057	4.30	—	11,250,000	5.00	—	4,339,501	3.47
2011	11,020,000	3,416,925	5.80	1,405,000	5,190,611	5.00	1,130,000	4,708,377	4.50	—	11,250,000	5.00	—	4,339,501	3.47
2012	11,655,000	2,783,275	6.00	1,480,000	5,120,361	5.10	1,495,000	4,657,527	4.60	—	11,250,000	5.00	—	4,339,501	3.47
2013	12,295,000	2,142,250	6.00	1,550,000	5,044,881	5.10	1,900,000	4,588,758	4.50	—	11,250,000	5.00	—	4,339,501	3.47
2014	12,970,000	1,466,025	6.00	1,630,000	4,965,831	5.13	2,335,000	4,503,258	4.70	—	11,250,000	5.00	—	4,339,501	3.47
2015	13,685,000	752,675	6.00	1,715,000	4,882,294	5.13	2,805,000	4,393,513	4.75	—	11,250,000	5.00	—	4,339,501	3.47
2016	—	—	—	16,240,000	4,794,400	5.37	3,320,000	4,260,275	4.75	—	11,250,000	5.00	—	4,339,501	3.47
2017	—	—	—	17,110,000	3,921,500	5.00	3,855,000	4,102,575	4.75	—	11,250,000	5.00	—	4,339,501	3.47
2018	—	—	—	17,975,000	3,066,000	5.00	4,370,000	3,919,463	4.75	—	11,250,000	5.00	—	4,339,501	3.47
2019	—	—	—	18,870,000	2,167,250	5.00	4,860,000	3,711,888	4.75	—	11,250,000	5.00	—	4,339,501	3.47
2020	—	—	—	19,810,000	1,223,750	5.00	5,315,000	3,481,038	4.75	—	11,250,000	5.00	—	4,339,501	3.47
2021	—	—	—	1,480,000	233,250	5.00	5,730,000	3,228,575	4.75	8,000,000	11,250,000	5.00	—	4,339,501	3.47
2022	—	—	—	1,555,000	159,250	5.00	6,160,000	2,956,400	4.75	8,400,000	10,850,000	5.00	—	4,339,501	3.47
2023	—	—	—	1,630,000	81,500	5.00	6,610,000	2,663,800	4.75	8,820,000	10,430,000	5.00	—	4,339,501	3.47
2024	—	—	—	—	—	—	7,075,000	2,349,825	4.75	9,260,000	9,989,000	5.00	—	4,339,501	3.47
2025	—	—	—	—	—	—	7,535,000	2,013,763	4.75	9,720,000	9,526,000	5.00	—	4,339,501	3.47
2026	—	—	—	—	—	—	8,005,000	1,655,850	4.75	10,205,000	9,040,000	5.00	—	4,339,501	3.47
2027	—	—	—	—	—	—	8,480,000	1,275,613	4.75	10,720,000	8,529,750	5.00	—	4,339,501	3.47
2028	—	—	—	—	—	—	8,950,000	872,813	4.75	11,255,000	7,993,750	5.00	—	4,339,501	3.47
2029	—	—	—	—	—	—	9,425,000	447,688	4.75	11,815,000	7,431,000	5.00	—	4,339,501	3.47
2030	—	—	—	—	—	—	—	—	—	12,405,000	6,840,250	5.00	11,970,000	4,339,501	3.47
2031	—	—	—	—	—	—	—	—	—	13,025,000	6,220,000	5.00	12,425,000	3,924,764	3.47
2032	—	—	—	—	—	—	—	—	—	13,680,000	5,568,750	5.00	12,900,000	3,494,261	3.47
2033	—	—	—	—	—	—	—	—	—	14,365,000	4,884,750	5.00	13,385,000	3,047,300	3.47
2034	—	—	—	—	—	—	—	—	—	15,080,000	4,166,500	5.00	13,885,000	2,583,536	3.47
2035	—	—	—	—	—	—	—	—	—	15,835,000	3,412,500	5.00	14,415,000	2,102,447	3.47
2036	—	—	—	—	—	—	—	—	—	16,625,000	2,620,750	5.00	14,955,000	1,602,994	3.47
2037	—	—	—	—	—	—	—	—	—	17,460,000	1,789,500	5.00	15,515,000	1,084,832	3.47
2038	—	—	—	—	—	—	—	—	—	18,330,000	916,500	5.00	15,795,000	547,267	3.47
	\$ 98,435,000	29,870,675		\$ 107,455,000	62,233,912		\$ 100,660,000	78,818,617		\$ 225,000,000	278,959,000		\$ 125,245,000	128,561,673	
Due January 1,	Series 2003C Bonds			Series 2005A Bonds			Series 2005B Bonds			Series 2005C Bonds			Total Revenue Bonds		
	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Interest rate	Principal amount	Interest amount	Total debt service
2007	\$ 8,125,000	4,740,750	5.00%	\$ 3,715,000	11,012,975	3.50%	\$ —	2,458,427	3.47%	\$ 600,000	12,606,240	3.52%	\$ 21,580,000	64,664,350	86,244,350
2008	8,535,000	4,334,500	5.00	4,065,000	10,882,950	5.00	—	2,460,015	3.47	810,000	12,005,664	3.52	23,240,000	62,957,122	86,197,122
2009	8,960,000	3,431,211	5.00	3,905,000	10,679,700	5.00	—	2,460,015	3.47	840,000	11,977,152	3.52	25,260,000	60,002,712	85,262,712
2010	9,415,000	2,506,672	3.47	3,125,000	10,484,450	5.00	—	2,460,015	3.47	875,000	11,947,584	3.52	26,010,000	56,928,565	82,938,565
2011	6,605,000	2,035,922	3.47	2,000,000	10,328,200	4.00	—	2,460,015	3.47	9,695,000	11,916,784	3.52	31,855,000	55,646,335	87,501,335
2012	6,840,000	1,807,072	3.47	1,160,000	10,248,200	4.00	—	2,460,015	3.47	10,085,000	11,575,520	3.52	32,715,000	54,241,471	86,956,471
2013	7,070,000	1,570,079	3.47	1,020,800	10,201,800	5.00	—	2,460,015	3.47	10,485,000	11,220,528	3.52	36,715,000	52,817,812	89,532,812
2014	7,320,000	1,325,117	3.47	4,185,000	10,031,050	4.50	—	2,460,015	3.47	10,915,000	10,851,456	3.52	39,355,000	51,192,253	90,547,253
2015	7,575,000	1,071,493	3.47	5,970,000	9,842,725	5.00	—	2,460,015	3.47	11,355,000	10,467,248	3.52	43,105,000	49,459,464	92,564,464
2016	7,845,000	809,033	3.47	—	9,544,225	5.00	—	2,460,015	3.47	19,895,000	10,067,552	3.52	47,300,000	47,525,001	94,825,001
2017	8,120,000	537,219	3.47	—	9,544,225	5.00	5,800,000	2,460,015	3.47	13,700,000	9,367,248	3.52	48,585,000	45,522,283	94,107,283
2018	7,385,000	255,876	3.47	—	9,544,225	5.00	8,000,000	2,259,056	3.47	14,695,000	8,885,008	3.52	52,425,000	43,519,129	95,944,129
2019	—	—	—	—	9,544,225	5.00	15,700,000	1,981,871	3.47	16,575,000	8,367,744	3.52	55,165,000	41,362,479	96,527,479
2020	—	—	—	—	9,544,225	5.00	16,400,000	1,437,896	3.47	16,570,000	7,813,872	3.52	58,095,000	39,090,282	97,185,282
2021	—	—	—	—	9,544,225	5.00	8,300,000	869,667	3.47	35,450,000	7,230,608	3.52	58,960,000	36,695,826	95,655,826
2022	—	—	—	—	9,544,225	5.00	9,000,000	582,088	3.47	37,850,000	5,982,768	3.52	62,965,000	34,414,232	97,379,232
2023	—	—	—	—	9,544,225	5.00	3,300,000	270,255	3.47	40,395,000	4,650,448	3.52	60,755,000	31,979,729	92,734,729
2024	—	—	—	—	9,544,225	5.00	4,500,000	155,916	3.47	44,550,000	3,228,544	3.52	65,385,000	29,607,011	94,992,011
2025	—	—	—	8,285,000	9,544,225	5.00	—	—	—	47,170,000	1,660,384	3.52	72,710,000	27,083,873	99,793,873
2026	—	—	—	8,700,000	9,129,975	5.00	—	—	—	—	—	—	26,910,000	24,165,326	51,075,326
2027	—	—	—	9,135,000	8,694,975	5.00	—	—	—	—	—	—	28,335,000	22,839,839	51,174,839
2028	—	—	—	9,590,000	8,238,225	5.00	—	—	—	—	—	—	29,795,000	21,444,289	51,239,289
2029	—	—	—	10,070,000	7,758,725	5.00	—	—	—	—	—	—	31,310,000	19,976,914	51,286,914
2030	—	—	—	10,575,000	7,255,225	5.00	—	—	—	—	—	—	34,950,000	18,434,976	53,384,976
2031	—	—	—	11,105,000	6,726,475	5.00	—	—	—	—	—	—	36,555,000	16,871,239	53,426,239
2032	—	—	—	11,660,000	6,171,225	5.00	—	—	—	—	—	—	38,240,000	15,234,236	53,474,236
2033	—	—	—	12,245,000	5,588,225	5.00	—	—	—	—	—	—	39,995,000	13,520,275	53,515,275
2034	—	—	—	12,855,000	4,975,975	5.00	—	—	—	—	—	—	41,820,000	11,726,011	53,546,011
2035	—	—	—	13,500,000	4,333,225	5.00	—	—	—	—	—	—	43,750,000	9,848,172	53,598,172
2036	—	—	—	14,170,000	3,658,225	4.50	—	—	—	—	—	—	45,750,000	7,881,969	53,631,969
2037	—	—	—	14,810,000	3,020,575	4.50	—	—	—	—	—	—	47,785,000	5,894,907	53,679,907
2038	—	—	—	15,475,000	2,354,125	4.50	—	—	—	—	—	—	49,600,000	3,817,892	53,417,892
2039	—	—	—	16,175,000	1,657,750	5.00	—	—	—	—	—	—	16,175,000	1,657,750	17,832,750
2040	—	—	—	16,980,000	849,000	5.00	—	—	—	—	—	—	16,980,000	849,000	17,829,000
	\$ 93,795,000	24,424,944		\$ 226,870,000	269,566,225		\$ 71,000,000	34,615,326		\$ 341,670,000	171,822,352		\$ 1,390,130,000	1,078,872,724	2,469,002,724

See accompanying independent auditors' report.



STATISTICAL SECTION

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Toll Revenue and Traffic Analysis

Year ended December 31, 2006

(Unaudited)

Toll revenue:	
Two-axle vehicles	\$ 197,742,740
Multi-axle vehicles	6,695,120
Revenue adjustments	<u>(13,003,740)</u>
Total	<u>\$ 191,434,120</u>
Vehicle transactions (unaudited):	
Two-axle vehicle transactions	366,451,382
Multi-axle vehicle transactions	4,244,789
Nonrevenue vehicle transactions	<u>1,944,405</u>
Total	<u>372,640,576</u>
Toll revenue – average per day:	
Two-axle vehicles	\$ 541,761
Multi-axle vehicles	18,343
Revenue adjustments	<u>(35,627)</u>
Average	<u>\$ 524,477</u>
Vehicle transactions – average per day (unaudited):	
Two-axle vehicle transactions	1,003,976
Multi-axle vehicle transactions	11,630
Nonrevenue vehicle transactions	<u>5,327</u>
Average	<u>1,020,933</u>

Toll Revenue and Traffic by Class of Vehicle

Year ended December 31, 2006

(Unaudited)

Class of vehicle	<u>Revenue</u>	<u>Vehicle transactions</u>
Two-axle vehicles	\$ 197,742,740	366,451,382
Three-axle vehicles and combinations	1,823,921	1,695,145
Four-axle vehicles and combinations	1,913,758	1,255,603
Five-axle vehicles and combinations	2,643,817	1,183,488
Six or more axle vehicles and special permits	<u>313,624</u>	<u>110,553</u>
	<u>6,695,120</u>	<u>4,244,789</u>
Toll revenue	204,437,860	370,696,171
Revenue adjustments	(13,003,740)	—
Nonrevenue vehicles	<u>—</u>	<u>1,944,405</u>
Toll revenue and traffic	<u>\$ 191,434,120</u>	<u>372,640,576</u>

See accompanying independent auditors' report.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Toll Schedule

Year ended December 31, 2006

(Unaudited)

	Two-axle passenger cars and trucks		Three-axle vehicles and vehicle combinations		Four-axle vehicles and vehicle combinations		Five-axle vehicles and vehicle combinations		Six or more axle vehicles and special permits	
	Cash	TollTag	Cash	TollTag	Cash	TollTag	Cash	TollTag	Cash	TollTag
Dallas North Tollway:										
Main Lane Plaza 1	\$ 0.75	0.60	1.20	0.95	1.50	1.20	1.80	1.45	2.10	1.70
Mockingbird	0.60	0.50	0.90	0.75	1.20	1.00	1.50	1.25	1.80	1.50
Northwest Highway	0.45	0.35	0.75	0.60	1.05	0.80	1.35	1.05	1.65	1.30
Royal Lane	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Spring Valley	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Belt Line	0.45	0.35	0.75	0.60	1.05	0.80	1.35	1.05	1.65	1.30
Main Lane Plaza 2	0.75	0.60	1.20	0.95	1.50	1.20	1.80	1.45	2.10	1.70
Keller Springs	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Frankford	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
FM 544	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Main Lane Plaza 3	0.75	0.60	1.20	0.95	1.50	1.20	1.80	1.45	2.10	1.70
Parker Road	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Spring Creek	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Gaylord Parkway	0.40	0.30	0.65	0.50	0.80	0.60	0.95	0.70	1.10	0.85
Addison Airport Tunnel:										
Barrier Plaza No. 5	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
President George Bush Turnpike:										
West of Custer Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
West of Independence Parkway	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Main Lane Plaza 7	0.75	0.60	1.50	1.20	2.25	1.80	3.00	2.40	3.75	3.00
Preston Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Midway Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
East of Garland Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
East of Campbell Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Shiloh Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Main Lane Plaza 6	0.75	0.60	1.50	1.20	2.25	1.80	3.00	2.40	3.75	3.00
East of Renner Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
East of Jupiter Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Marsh Lane	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Main Lane Plaza 8	0.75	0.60	1.50	1.20	2.25	1.80	3.00	2.40	3.75	3.00
Kelly Boulevard	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Josey Lane	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Main Lane Plaza 9	0.75	0.60	1.50	1.20	2.25	1.80	3.00	2.40	3.75	3.00
Belt Line Road	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
Valwood Parkway	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
North of Royal Lane	0.40	0.30	0.75	0.60	1.25	0.90	1.50	1.20	1.90	1.50
South of Gateway Road	0.75	0.60	1.50	1.20	2.25	1.80	3.00	2.40	3.75	3.00
Main Lane Plaza 10	0.75	0.60	1.50	1.20	2.25	1.80	3.00	2.40	3.75	3.00
Mountain Creek Lake Bridge:										
Mainlane Plaza	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50

See accompanying independent auditors' report.

**NORTH TEXAS TOLLWAY AUTHORITY
DALLAS NORTH TOLLWAY SYSTEM**

Year ended December 31, 2006

(Unaudited)

Historical Traffic and Toll Revenue

The table below sets forth the annual revenue vehicle transactions and gross toll revenue with respect to the Dallas North Tollway System for the ten calendar years 1997 through 2006:

Year	Annual revenue vehicle transactions (unaudited)	Annual toll revenue
1997	123,177,002	\$ 53,758,516
1998	127,383,625	57,253,744
1999 (1)	149,888,064	69,653,635
2000 (2)	192,168,272	93,901,576
2001 (3)	230,044,912	107,210,124
2002 (4)	285,494,321	137,945,439
2003	296,140,087	149,323,784
2004 (5)	315,031,754	160,695,030
2005 (6)	338,390,215	172,537,345
2006	370,696,171	191,434,120

- (1) Reflects the opening of Addison Airport Tunnel, Segment I and IIa of the President George Bush Turnpike in January 1999, June 1999, and December 1999, respectively, and a toll rate increase on the DNT in August 1999.
- (2) Reflects the opening of Segment IIb of the President George Bush Turnpike in May 2000.
- (3) Reflects the opening of Segment III of the President George Bush Turnpike from Midway Road to Frankford in March 2001 to IH 35 in July 2001 and Segment V on December 2001.
- (4) Toll rate increase for the President George Bush Turnpike went into effect in January 2002
- (5) Reflects the completion of DNT and State Highway 121 interchange on April 2004.
- (6) Reflects the opening of Segment IV of the President George Bush Turnpike in September 2005.

Historical Net Revenues

The table set forth below shows the Net Revenues for debt service (as defined by Trust Agreement) of the Dallas North Tollway System for the ten calendar years 1997 through 2006:

Year	Toll revenue	Current expenses	Investment and other earnings	Net revenues	Coverage
1997	\$ 53,758,516	11,464,429	12,550,034	54,844,121	1.79
1998	57,253,744	12,337,298	14,112,612	59,029,058	2.50
1999	69,653,635	16,842,717	12,869,336	65,680,254	2.42
2000	93,901,576	22,754,720	13,204,505	84,351,361	2.22
2001	107,210,124	30,429,021	11,806,432	88,587,535	1.88
2002	137,945,439	37,964,567	8,732,847	108,713,719	2.08
2003	149,323,784	42,650,533	8,371,709	115,044,960	2.09
2004	160,695,030	47,680,750	10,046,907	123,061,187	2.00
2005	172,537,345	56,576,883	14,085,285	130,045,747	1.80
2006	191,434,120	61,421,158	18,259,576	148,272,538	1.98

See accompanying independent auditors' report.

NORTH TEXAS TOLLWAY AUTHORITY

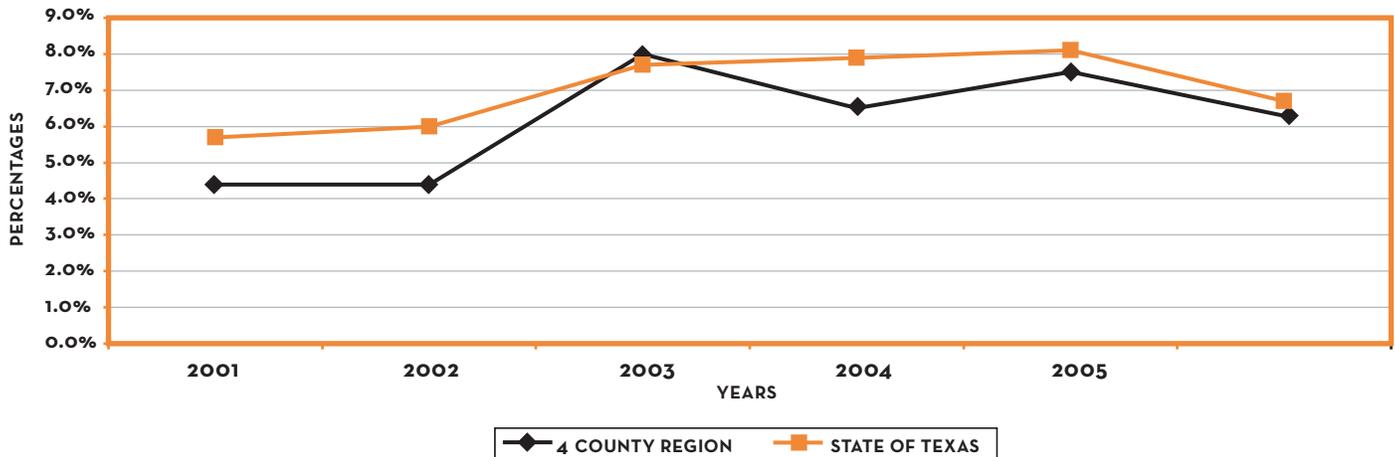
DALLAS NORTH TOLLWAY SYSTEM DEMOGRAPHIC AND ECONOMIC STATISTICS

DEMOGRAPHIC DATA - (COMBINED) FOUR COUNTY REGION AND STATE OF TEXAS EMPLOYMENT STATUS ESTIMATES

YEAR	COLLIN	DALLAS	DENTON	TARRANT	4 COUNTY REGIONAL TOTALS		UNEMPLOYMENT RATE	
					ESTIMATED TOTALS	ESTIMATED TOTALS	4 COUNTY	TEXAS
2000	275,187	1,166,274	248,592	758,223	2,448,276	10,003,606	4.4%	5.7%
2001	298,648	1,171,386	249,260	775,930	2,495,224	10,125,306	4.4%	6.0%
2002	308,228	1,194,564	276,897	799,447	2,579,136	10,402,410	8.0%	7.7%
2003	325,039	1,176,107	287,142	814,196	2,602,484	10,556,464	6.5%	7.9%
2004	347,165	1,197,167	301,511	835,363	2,681,206	10,851,249	7.5%	8.1%
2005	367,651	1,177,947	312,530	840,440	2,698,568	11,024,191	6.3%	6.7%

(estimated service of the civil labor force)

ESTIMATED PERCENT INCREASE IN UNEMPLOYMENT RATE



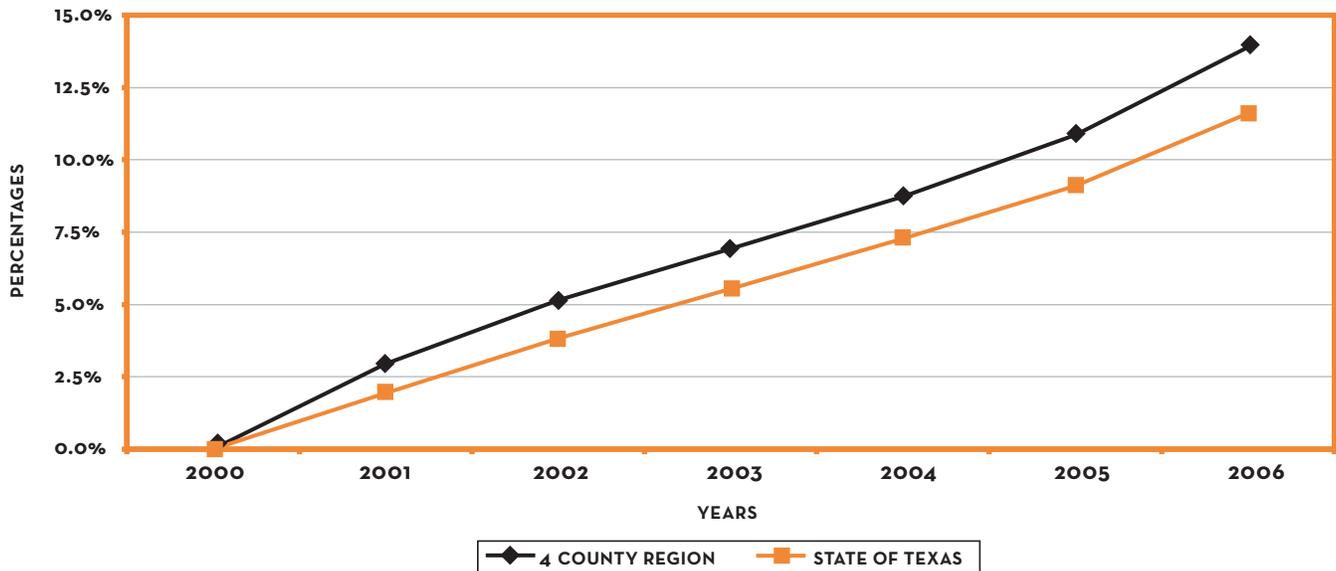
NORTH TEXAS TOLLWAY AUTHORITY

DALLAS NORTH TOLLWAY SYSTEM DEMOGRAPHIC AND ECONOMIC STATISTICS

DEMOGRAPHIC DATA - (COMBINED) FOUR COUNTY REGION AND STATE OF TEXAS POPULATION ESTIMATED DATA

YEAR	COLLIN	DALLAS	DENTON	TARRANT	4 COUNTY REGIONAL TOTALS	TEXAS	PERCENTAGE CHANGE (FROM PRIOR YEARS)	
							4 COUNTY	TEXAS
2000	500,224	2,225,945	438,869	1,454,612	4,619,650	20,951,848	n/a	n/a
2001	538,200	2,264,243	463,681	1,489,516	4,755,640	21,357,926	2.94%	1.94%
2002	569,438	2,276,489	488,311	1,526,307	4,860,545	21,762,430	2.21%	1.89%
2003	597,536	2,282,284	510,292	1,556,747	4,946,859	22,134,047	1.78%	1.71%
2004	628,757	2,290,710	531,054	1,586,277	5,036,798	22,517,901	1.82%	1.73%
2005	660,926	2,308,527	554,994	1,619,666	5,144,113	22,928,508	2.13%	1.82%
2006	698,851	2,345,815	584,238	1,671,295	5,300,199	23,507,783	3.03%	2.53%
INCREASE TOTAL FROM YEAR 2000 TO YEAR 2006		198,627	119,870	145,369	216,683	680,549	2,555,935	

PERCENT INCREASE IN POPULATION ESTIMATES



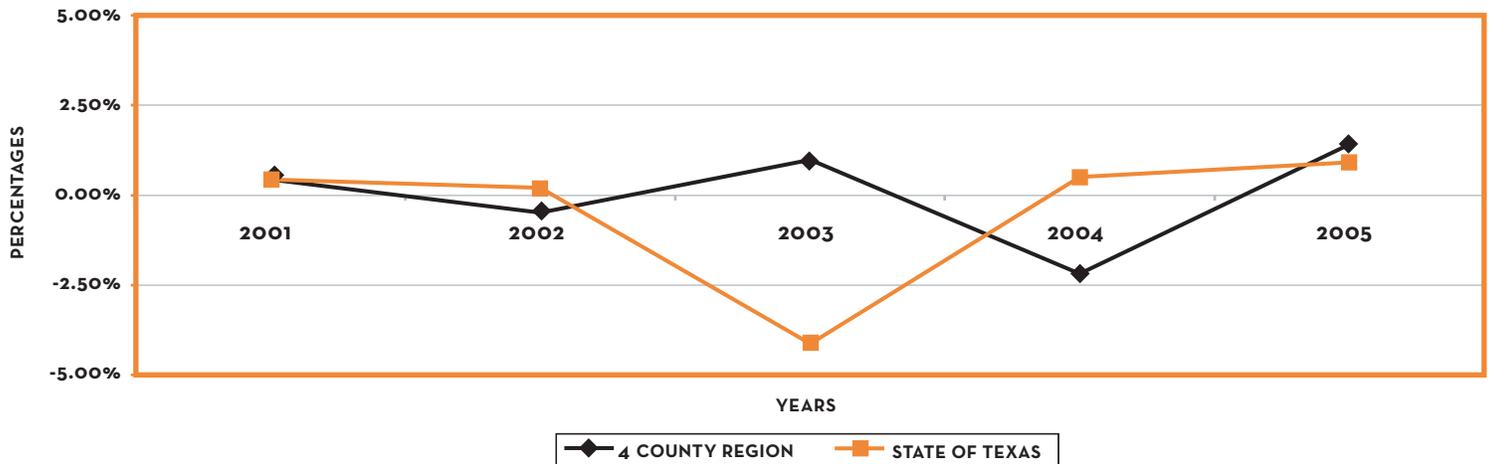
NORTH TEXAS TOLLWAY AUTHORITY

DALLAS NORTH TOLLWAY SYSTEM DEMOGRAPHIC AND ECONOMIC STATISTICS

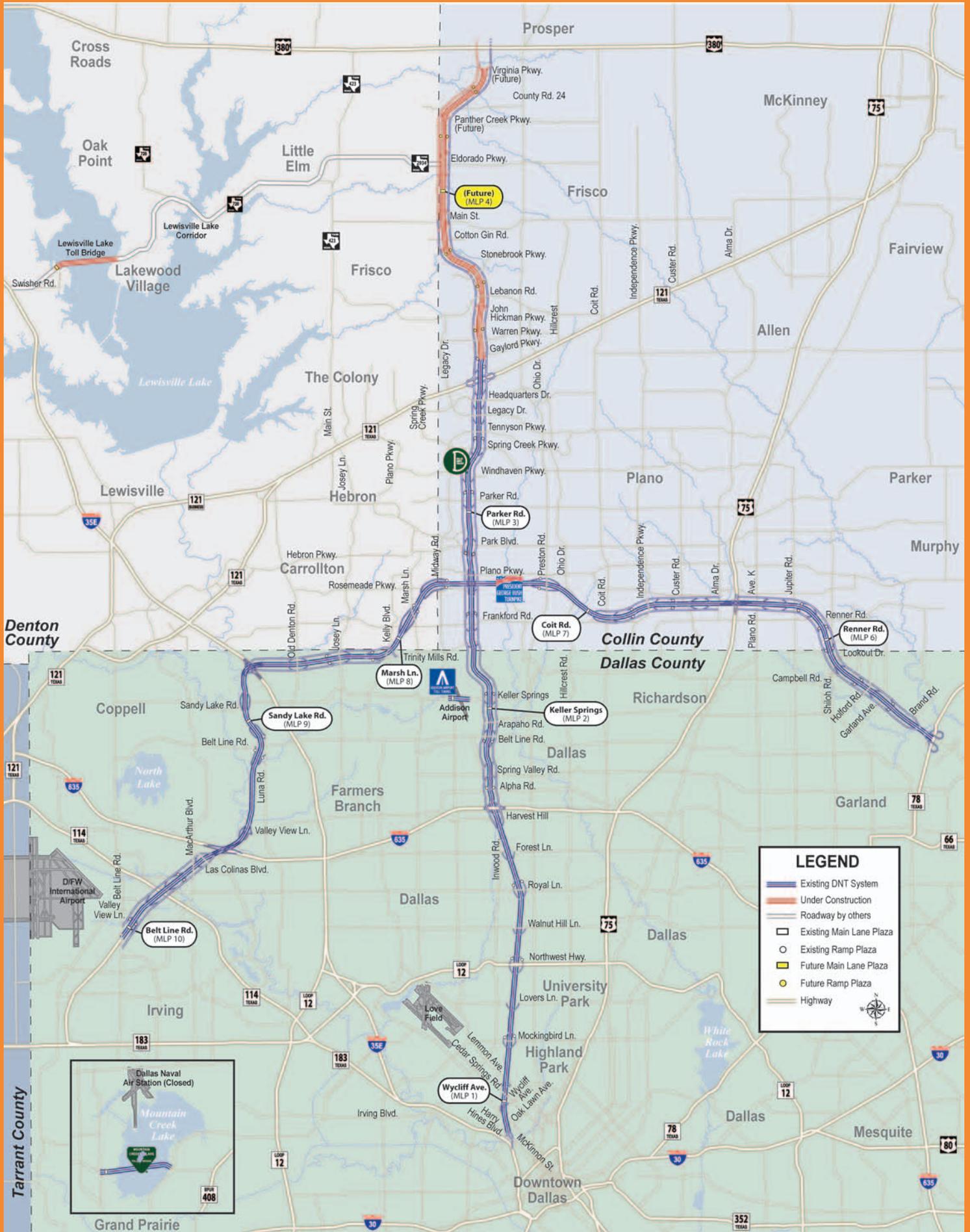
DEMOGRAPHIC DATA - (COMBINED) FOUR COUNTY REGION AND STATE OF TEXAS MEDIAN HOUSEHOLD INCOME ESTIMATES DATA

YEAR	COLLIN	DALLAS	DENTON	TARRANT	4 COUNTY REGIONAL TOTALS		PERCENTAGE CHANGE (FROM PRIOR YEARS)		
					AVERAGED MEDIAN INCOME	TEXAS MEDIAN INCOME	4 COUNTY	TEXAS	
2000	70,487	45,831	56,807	50,638	55,941	43,065			
2001	70,181	44,829	60,898	48,821	56,182	43,253	0.43%	0.44%	
2002	70,292	44,678	56,814	51,860	55,911	43,343	-0.48%	0.21%	
2003	71,458	44,189	62,013	48,185	56,461	41,548	0.98%	-4.14%	
2004	68,567	43,444	61,528	47,369	55,227	41,759	-2.19%	0.51%	
2005	70,784	42,598	61,520	49,104	56,002	42,139	1.40%	0.91%	
2006	n/a	n/a	n/a	n/a					
INCREASE TOTAL FROM YEAR 2000 TO YEAR 2006									
	70,295	44,262	59,930	49,330	55,954	42,518			

PERCENTAGE CHANGE IN MEDIAN HOUSEHOLD INCOME ESTIMATES



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LEGEND

- Existing DNT System
- Under Construction
- Roadway by others
- Existing Main Lane Plaza
- Existing Ramp Plaza
- Future Main Lane Plaza
- Future Ramp Plaza
- Highway



LEGEND

- Existing
- Under Construction
- In Design
- Corridor Study
- Five In Five
- County Line
- Roadway by others





NTTA[®]
NORTH TEXAS TOLLWAY AUTHORITY



For the NTTA, the road ahead is clear. Our strategic plan is mapped out. We have major regional projects underway, and more in the future.

The North Texas population will continue to grow. Motorists will need safe, convenient and time-saving roads. Communities will thrive when more businesses, customers and residents arrive.

And the NTTA will continue to provide innovative, practical, effective transportation solutions to benefit North Texas, using powerful tools such as value-engineering practices, strategic relationships and technological solutions.

The North Texas Tollway Authority is running strong...a finely tuned operation.





NORTH TEXAS TOLLWAY AUTHORITY

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