



Central Texas Regional  
Mobility Authority

## AUDIT COMMITTEE AGENDA ITEM SUMMARY

---

Committee Agenda Item C:  
Presentation and acceptance of the Independent Audit  
conducted by PMB Helin Donovan, LLP, for the Fiscal  
Year Ending June 30, 2011.

**Presentation and acceptance of the Independent Audit conducted by PMB Helin Donovan, LLP, for the Fiscal Year Ending June 30, 2011.**

**Department: Finance**

**Associated Costs: None**

**Funding Source: None**

**Board Action Required: YES (under Committee Agenda Item C)**

**Description of Matter:**

Each year the Mobility Authority engages an independent CPA firm to conduct the Authority's required annual audit and single audit, when necessary. PMB Helin Donovan has completed the annual audit for FY 2011.

**Attached documentation for reference:**

**Copy of Resolution 09-50, establishing the Audit Committee**

**Draft Resolution**

**Audited Financial Statements and Management Discussion and Analysis; Single Audit Report**

**Contact for further information:**

**Bill Chapman, Chief Financial Officer**

**Cindy Demers, Controller**

**GENERAL MEETING OF THE BOARD OF DIRECTORS  
OF THE  
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

**RESOLUTION NO. 09-50**

**Establishment of Audit Committee**

WHEREAS, the Central Texas Regional Mobility Authority ("CTRMA") was created pursuant to the request of Travis and Williamson Counties and in accordance with provisions of the Transportation Code and the petition and approval process established in 43 Tex. Admin. Code § 26.01, *et seq.* (the "RMA Rules"); and

WHEREAS, the Board of Directors of the CTRMA has been constituted in accordance with the Transportation Code and the RMA Rules; and

WHEREAS, Section 16 of the CTRMA Bylaws (the "Bylaws") provides that the Chairman and/or the Board of Directors may designate from among the Directors one or more ad hoc or standing committees; and

WHEREAS, Section 16 of the Bylaws further provides that a committee shall have and may exercise all of the authority of the Board if approved by a Resolution passed by a majority vote of the Board, to the extent provided in such Resolution; and

WHEREAS, the CTRMA has an independent external audit performed every year at the conclusion of its fiscal year on June 30; and

WHEREAS, in order to further ensure the responsible and transparent oversight of the CTRMA's management and use of funds, the establishment of an Audit Committee consisting of all of the members of the Board of Directors is desired; and

WHEREAS, it is desirable that the Audit Committee have the authority to cause any and all aspects of the finances of the CTRMA to be reviewed and audited by an independent third party at such times as deemed necessary by the Audit Committee, in addition to the fiscal year audit, and that the Audit Committee be a resource for all issues relating to the accounting and fiscal matters of the CTRMA; and

WHEREAS, the Audit Committee shall review financial statements developed and issued by the Authority and monitor, oversee and revise internal control processes as deemed necessary to ensure the existence of accurate and efficient accountability of Authority funds and expenditures; and

WHEREAS, the Audit Committee shall promote and ensure open dialogue, communication and cooperation exists between the Authority, management, external and other appropriate auditing entities, the Board and the public; and

WHEREAS, the Board of Directors desire that all members of the Board of Directors serve as members of the Audit Committee, with the Chair of the Audit Committee being a member of the Board other than the Chairman of the Board and shall be elected as determined by a majority vote of the Audit Committee.

NOW THEREFORE, BE IT RESOLVED, that the Chairman and the Board of Directors hereby establish the Audit Committee for the purposes stated herein and with all of the power and authority described herein and as required to achieve the goals and standards stated herein; and


BE IT FURTHER RESOLVED, that all members of the Board of Directors serve as members of the Audit Committee, with the Chair of the Audit Committee being a member of the Board other than the Chairman of the Board and elected by a majority vote of the Audit Committee; and

BE IT FURTHER RESOLVED, that the Audit Committee shall be a standing committee with the functions and authority described herein, and such Committee is to have a continuing existence, unless and until the Board of Directors otherwise determines by subsequent Resolution.

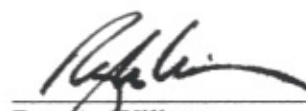
Adoption of this Resolution shall be considered delivery of same to the Secretary of the CTRMA and the provisions hereof shall be entered in the official records of the CTRMA as a notation in the Minutes of this Board Meeting.

Adopted by the Board of Directors of the Central Texas Regional Mobility Authority on the 31st day of July, 2009.

Submitted and reviewed by:

  
\_\_\_\_\_  
Tom Nielson  
General Counsel for the Central  
Texas Regional Mobility Authority

Approved:

  
\_\_\_\_\_  
Ray A. Wilkerson  
Chairman, Board of Directors  
Resolution Number 09-50  
Date Passed 7/31/09

**MEETING OF THE AUDIT COMMITTEE  
OF THE  
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

**RESOLUTION NO. 11-\_\_**

**Approve the Independent Audits by PMB Helin Donovan, LPP,  
for the Fiscal Year Ending June 30, 2011**

WHEREAS, by Resolution No. 09-50 enacted July 31, 2009, the Board of Directors established the Audit Committee as a standing committee of the Board of Directors, consisting of all of the members of the Board of Directors; and

WHEREAS, the Audit Committee is authorized by Resolution No. 09-50 and Section 16 of the CTRMA Bylaws to exercise all powers and authority of the Board of Directors with respect to CTRMA finances, as set forth in Resolution No. 09-50; and

WHEREAS, the firm of PMB Helin Donovan, LLP was engaged to provide independent audit of the finances of the Central Texas Regional Mobility Authority for the fiscal year ending on June 30, 2011, and has presented that audit to the Audit Committee; and

WHEREAS, the Audit Committee has reviewed both the "Single Audit Report" and the "Financial Statements and Management Discussion and Analysis" prepared by PMB Helin Donovan, LLP, attached respectively as Attachments A and B to this Resolution, and has heard and considered the presentation on the audit by PMB Helin Donovan, LLP.

NOW THEREFORE, BE IT RESOLVED, that the Audit Committee accepts the attached independent audits of the Central Texas Regional Mobility Authority for the fiscal year ending on June 30, 2011.

Adopted by the Audit Committee of the Board of Directors of the Central Texas Regional Mobility Authority on the 26th day of October, 2010.

Submitted and reviewed by:

Approved:

\_\_\_\_\_  
Andrew Martin  
General Counsel for the  
Central Texas Regional Mobility Authority

\_\_\_\_\_  
Robert L. Bennett, Jr., Chairman  
Audit Committee  
Audit Committee Resolution: 11-\_\_  
Date Passed: 10/26/10

**ATTACHMENT "A"**  
**TO**  
**AUDIT COMMITTEE RESOLUTION 11-**

**SINGLE AUDIT REPORT**



**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Single Audit Report  
Year Ended June 30, 2011

(With Independent Auditors' Report Thereon)

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Central Texas Regional Mobility Authority:

We have audited the financial statements of Central Texas Regional Mobility Authority (Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. 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 Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and Board of Directors of Central Texas Regional Mobility Authority and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**PMB HELIN DONOVAN, LLP**  
DRAFT  
October 14, 2011

**Independent Auditors' Report on Compliance with Requirements  
That Could have a Direct and Material Effect on Each Major Program and  
on Internal Control Over Compliance in Accordance with OMB Circular A-  
133 and  
Schedule of Expenditures of Federal Awards**

To the Board of Directors  
Central Texas Regional Mobility Authority:

### **Compliance**

We have audited the compliance of Central Texas Regional Mobility Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### **Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. Our audit was performed for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation the financial statements taken as a whole.

This report is intended solely for the information and use of management and Board of Directors of Central Texas Regional Mobility Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**PMB HELIN DONOVAN, LLP**

DRAFT

October 14, 2011

**Central Texas Regional Mobility Authority**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2011

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>CFDA</u>	<u>Grant Award Number</u>	<u>Federal Expenditures</u>
<b>Highway Planning and Construction Cluster</b>			
<b>U.S. Department of Transportation</b>			
<i>Pass Through from Texas Department of Transportation</i>			
Highway Planning and Construction-ARRA	20.205	CSJ 0114-02-090	\$ 31,107,686
Highway Planning and Construction-ARRA	20.205	CSJ 0914-00-305	927,920
Highway Planning and Construction-ARRA	20.205	CSJ 0114-02-053	20,292,522
Highway Planning and Construction	20.205	CSJ 9001-14-013	<u>718,619</u>
<b>Total Federal Expenditures</b>			<u><u>\$ 53,046,747</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal loan programs administered by Central Texas Regional Mobility Authority (the "Authority"). The Authority's organization is defined in Note 1 of the Authority's basic financial statements.

**(b) Basis of Presentation**

The Schedule presents total federal awards expended for each individual program in accordance with the OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**(c) Basis of Accounting**

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 1 of the Authority's basic financial statements.

**(2) Relationship to Federal Financial Reports**

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of the Authority's financial statements.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

**Section I - Summary of Auditors' Results**

**A Financial Statements**

Type of auditors' report issued: **Unqualified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None reported**

Noncompliance material to financial statements noted? **No**

**B. Federal Awards**

Internal control over compliance:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None reported**

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **No**

Identification of major federal programs:

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish programs: **\$1,591,402**

Auditee qualified as low-risk auditee: **No**

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

**Section II - Financial Statement Findings**

None reported

**Section III – Federal Award Findings and Questioned Costs**

None reported

**Section IV – Summary Schedule of Prior Audit Findings**

None reported

**ATTACHMENT "B"**  
**TO**  
**AUDIT COMMITTEE RESOLUTION 11-01**

**FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS**

**Central Texas Regional Mobility Authority**

Financial Statements and  
Management Discussion and Analysis

June 30, 2011 and 2010  
(With Independent Auditors' Report Thereon)

**Central Texas Regional Mobility Authority**  
Management's Discussion and Analysis  
Years Ended June 30, 2011 and 2010

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2011. Please read it in conjunction with the Authority financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Bonds payable were issued in 2005 and have an outstanding balance of \$172.8 million as of June 30, 2011. The bonds are repayable over the next 35 years.
- Bonds payable were issued in 2010 and have an outstanding balance of \$140.1 million as of June 30, 2011. The bonds are repayable over the next 30 years. A portion of these proceeds were used to refund and redeem \$15 million of notes which were previously issued in 2009.
- Bonds payable were issued in 2011 and have an outstanding balance of \$370.0 million as of June 30, 2011. The bonds are repayable over the next 30 years. A portion of these proceeds were used to repay a \$31.61 million loan from the State Infrastructure Bank (SIB) and \$60 million of notes which were previously issued in 2010.
- Investments increased by \$212.9 million from 2010 to 2011.
- Total operating expenses were approximately \$29.6 million in both 2011 and 2010.
- Total construction in progress was approximately \$202.9 million, \$69.0 million, and \$31.9 million as of June 30, 2011, 2010 and 2009, respectively.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and changes in net assets. All assets and liabilities associated with the operation of the Authority are included in the statements of net assets.



**Central Texas Regional Mobility Authority**  
Management's Discussion and Analysis  
Years Ended June 30, 2011 and 2010

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Net Assets**

The Authority's total net assets were approximately \$80.3 million, \$56.1 million, and \$59.5 million, as of June 30, 2011, 2010, and 2009, respectively (See Table A-1). In 2011, total assets increased 76.9% to \$886.6 million and total liabilities increased 81.2% to \$806.4 million resulting in a increase of 43.0% in total net assets. The increase of \$24.1 million is the result of 2011 operating income of \$35.8 million which was offset by net interest expense of \$11.9 million.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 14,049	\$ 9,864	\$ 4,238
Restricted assets	433,409	185,367	53,837
Capital assets	423,060	295,013	265,320
Bond issuance cost	16,095	10,825	9,039
Total assets	<u>\$886,613</u>	<u>\$501,069</u>	<u>\$332,434</u>
Total liabilities	<u>\$806,361</u>	<u>\$444,951</u>	<u>\$272,934</u>
Net assets:			
Invested in capital assets	\$ 26,345	\$ 11,916	\$ 12,642
Restricted for other purposes	39,877	34,339	42,620
Unrestricted	14,030	9,863	4,238
Total net assets	<u>\$ 80,252</u>	<u>\$ 56,118</u>	<u>\$ 59,500</u>

**Central Texas Regional Mobility Authority**  
Management's Discussion and Analysis  
Years Ended June 30, 2011 and 2010

**Changes in Net Assets**

Changes in net assets as of June 30, 2011 and 2010 were approximately \$24.1 million and (\$3.4) million, respectively, a 43% increase in total net assets from 2010. The Authority's total revenues were \$53.7 million, an increase of 104% from 2010, and total expenses were \$29.6 million, which were consistent with 2010. See Table A-2.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>			
Toll revenue	\$21,458	\$20,216	\$17,404
Grants and contributions	31,989	5,675	-
Other revenue	243	371	868
Total revenues	<u>53,690</u>	<u>26,262</u>	<u>18,272</u>
<b>Expenses:</b>			
Administration	26,970	28,081	26,635
Professional services	2,586	1,563	2,856
Total expenses	<u>29,556</u>	<u>29,644</u>	<u>29,491</u>
Contributed capital	-	-	-
Change in net assets	24,134	(3,382)	(11,219)
Total net assets, beginning of the year	<u>56,118</u>	<u>59,500</u>	<u>70,719</u>
Total net assets, end of the year	<u>\$80,252</u>	<u>\$56,118</u>	<u>\$59,500</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2011, and 2010, and 2009 the Authority had invested approximately \$202.9 million, \$69.0 million, and \$31.9 million, respectively, in construction-in-progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal, and traffic analysis fees. See Table A-3.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Property and equipment	\$ 9,701	\$ 9,632	\$ 9,583
Toll Road	241,474	240,135	240,005
Accumulated depreciation	(31,007)	(23,716)	(16,135)
Construction work in progress	202,892	68,962	31,867
Net capital assets	<u>\$423,060</u>	<u>\$295,013</u>	<u>\$265,320</u>

**Central Texas Regional Mobility Authority**  
Management's Discussion and Analysis  
Years Ended June 30, 2011 and 2010

**Long-Term Debt**

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

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

The U.S. Department of Transportation agreed to lend the Authority up to \$66 million ("TIFIA Bond") to pay or reimburse a portion of the costs of the 2005 Project, including any refinancing of the Series 2005 Subordinate Lien BANs, under a secured loan agreement between the Authority and the U.S. Department of Transportation.

On January 1, 2008, the Authority borrowed the entire balance of the \$66 million TIFIA Bond to pay down the Series 2005 Subordinate Lien BANs. The maturity date of the TIFIA Bond is January 1, 2042. Interest on the TIFIA Bond accrues at an annual rate of 4.69% with interest payable each January 1 and July 1, commencing January 1, 2012.

The Authority issued its Revenue Notes, Taxable Series 2009, in an aggregate principal amount of \$15,000,000 (Series 2009 Notes) on May 1, 2009 to (i) pay a portion of the Costs of the 2009 Projects described in the Indenture and (ii) pay costs of issuance for the Series 2009 Notes. The 2009 Series Notes were refunded and redeemed in full during fiscal year ended June 30, 2010.

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

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

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

On December 2, 2009, the Authority entered into an agreement to borrow \$31.61 million from the State Infrastructure Bank to finance the cost of right of way acquisition and partial final design funding for a portion of the 290 East Project (SIB Loan). The term of the loan is 30 years. Interest on the SIB Loan

**Central Texas Regional Mobility Authority**  
Management's Discussion and Analysis  
Years Ended June 30, 2011 and 2010

accrues at an interest rate of 2.95% per annum from December 2, 2009 until February 1, 2012, with such interest being compounded on each February 1 and August 1, commencing February 1, 2010. The Authority repaid the loan in full from proceeds of the Series 2011 Senior Lien Revenue Bonds issued by the Authority in 2011, as described below.

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

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

As of June 30, 2011, the Authority had total bond debt outstanding of approximately \$761 million. See Table A-4.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Series 2005, 2009, 2010 and 2011 Obligations			
Capital Appreciation Bonds	\$ 61,332	\$ 50,833	\$ 16,332
Current Interest Bonds	621,542	262,208	171,680
TIFIA Bond	77,627	74,110	70,753
SIB Loan	-	32,153	-
Net bond debt outstanding	\$760,501	\$419,304	\$258,765

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

## Independent Auditors' Report

Members of the Central Texas Regional Mobility Authority:

We have audited the statements of net assets of the Central Texas Regional Mobility Authority (the Authority), as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Supplemental Schedule – Bond Covenants Coverage Calculation on page 29 is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**PMB Helin Donovan, LLP**

DRAFT

October 14, 2011

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Statements of Net Assets

June 30, 2011 and 2010

<b>Assets:</b>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 343,397	\$ 124,518
Investments (note 2)	7,690,809	3,362,663
Due from other agencies	5,880,736	6,236,288
Accrued interest receivable	98,481	99,905
Prepaid expenses and other assets	35,554	40,609
<b>Total current assets</b>	<u>14,048,977</u>	<u>9,863,983</u>
<b>Restricted assets:</b>		
Cash and cash equivalents (note 2)	76,452,979	36,995,359
Investments (note 2)	356,955,630	148,371,858
<b>Total restricted assets</b>	<u>433,408,609</u>	<u>185,367,217</u>
Property, toll road and equipment, net (note 3)	220,167,912	226,051,265
Construction work in progress (note 3)	202,892,304	68,961,711
Bond issuance costs, net	16,095,508	10,825,177
<b>Total assets</b>	<u><u>\$ 886,613,310</u></u>	<u><u>\$ 501,069,353</u></u>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 29,978,373	\$ 13,623,816
Accrued interest payable	8,549,247	7,641,363
Accrued expenses	436,231	416,381
<b>Total current liabilities</b>	<u>38,963,851</u>	<u>21,681,560</u>
<b>Noncurrent liabilities:</b>		
TIFIA bond (note 4)	77,626,562	74,110,047
State Infrastructure Loan (note 4)	-	32,153,244
Bonds payable - 2005 Series (note 4)	172,758,917	172,924,728
Bonds payable - 2010 Series (note 4)	140,083,302	140,116,204
Bonds payable - 2011 Series (note 4)	370,031,771	-
Accumulated accretion on capital appreciation bonds (note 4)	6,897,462	3,831,815
Retainage payable	-	134,317
<b>Total liabilities</b>	<u>806,361,865</u>	<u>444,951,915</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	26,344,659	11,915,783
Restricted for other purposes	39,876,643	34,337,672
Unrestricted	14,030,143	9,863,983
<b>Total net assets</b>	<u>80,251,445</u>	<u>56,117,438</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 886,613,310</u></u>	<u><u>\$ 501,069,353</u></u>

See accompanying notes to financial statements

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues</b>		
Tolls	\$ 21,458,000	\$ 20,216,374
Grants and contributions	31,989,492	5,675,189
Other	3,383	917
Total revenues	<u>53,450,875</u>	<u>25,892,480</u>
<b>Operating expenses</b>		
Salaries and wages	2,443,879	2,055,813
Other contractual services	3,049,833	3,232,206
Professional services	2,585,915	1,563,241
General and administrative	9,601,791	10,858,442
Total operating expenses	<u>17,681,418</u>	<u>17,709,702</u>
 Total operating increase	 35,769,457	 8,182,778
<b>Nonoperating revenues/expenses</b>		
Interest income, net of interest capitalized, (note 2)	239,771	369,867
Interest expense	<u>(11,875,221)</u>	<u>(11,934,768)</u>
 Change in net assets	 <u>24,134,007</u>	 <u>(3,382,123)</u>
 Total net assets at beginning of the year	 <u>56,117,438</u>	 <u>59,499,561</u>
 Total net assets at end of the year	 <u>\$ 80,251,445</u>	 <u>\$ 56,117,438</u>

See accompanying notes to financial statements.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Receipts from toll fees	\$ 21,813,552	\$ 14,675,345
Receipts from other fees	31,992,875	5,676,106
Receipts from interest income	241,195	487,929
Payments to vendors	(3,423,724)	(7,689,117)
Payments to professionals	(2,585,915)	(1,563,241)
Payments to employees	(2,395,308)	(1,891,600)
Net cash flows provided by operating activities	<u>45,642,675</u>	<u>9,695,422</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisitions of property and equipment	(1,407,644)	(179,063)
Payments on interest	(7,439,500)	(7,439,500)
Acquisitions of construction in progress	(121,295,208)	(31,094,063)
Payment of State Infrastructure Loan	(32,943,677)	-
Proceeds from Series 2010 Obligations	-	175,539,243
Proceeds from Series 2011 Bonds	370,031,771	-
Payment of Series 2009 Notes	-	(15,000,000)
Net cash flows provided by capital and related financing activities	<u>206,945,742</u>	<u>121,826,617</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(394,066,109)	(275,333,312)
Proceeds from sale or maturity of investments	181,154,191	163,376,679
Net cash flows used in provided by investing activities	<u>(212,911,918)</u>	<u>(111,956,633)</u>
Net increase in cash and cash equivalents	39,676,499	19,565,406
Cash and cash equivalents at beginning of year	<u>37,119,877</u>	<u>17,554,471</u>
Cash and cash equivalents at end of year (including \$76,452,979 for 2011 and \$36,995,359 for 2010 reported in restricted assets)	<u>\$ 76,796,376</u>	<u>\$ 37,119,877</u>
<b>Reconciliation of change in net assets to net cash used in operating activities:</b>		
Change in net assets	\$ 24,134,007	\$ (3,382,123)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,290,997	7,580,638
Nonoperating interest	7,439,500	7,439,500
Changes in assets and liabilities:		
Increase in prepaid expenses and other assets	5,055	2,649
(Increase) decrease in non-cash revenue (due from other agencies)	355,552	(5,541,029)
Increase in accounts payable	6,397,714	3,543,881
Increase in accrued expenses	19,850	51,906
Total adjustments	<u>21,508,668</u>	<u>13,077,545</u>
Net cash flows provided by operating activities	<u>\$ 45,642,675</u>	<u>\$ 9,695,422</u>

See accompanying notes to financial statements.



# CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

## 1. Organization and Summary of Significant Accounting Policies

The financial statements of the Central Texas Regional Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies the codification of Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently. The more significant of the Authority's accounting policies are described below:

**A. Reporting Entity** - The Central Texas Regional Mobility Authority (the "Authority") was authorized by the State of Texas in 2002. The Authority is authorized to construct, maintain, repair, and operate turnpike projects at locations authorized by the Legislature of the State of Texas and approved by the State Department of Transportation. The Authority receives its revenues from tolls, fees, and rents from the operation of turnpike projects. The Authority may issue revenue bonds for the purpose of paying the costs of turnpike projects.

The Authority was formed through the joint efforts of Travis and Williamson Counties (the "Counties"). Their efforts began in September 2002, following the enactment of provisions by the 77<sup>th</sup> Texas Legislature authorizing the formation of regional mobility authorities (RMAs). The petition to form the Authority was filed by the Counties, and the Texas Transportation Commission granted approval for its formation in October 2002. The Counties appointed its initial board of directors in January 2003. Each County appointed three directors, and the Governor appointed the presiding officer. The members are appointed in belief that the composition of the board and the common interest in the region shared by all board members will result in adequate representation of all political subdivisions within the geographic area of the RMA and to serve without pay for terms of two years. The Authority has full control over all operations, but must comply with certain bond indentures and trust agreements. The Authority employs an Executive Director who manages the day-to-day operations.

In evaluating how to define the Authority, for financial reporting purposes, management has determined that there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

**Liquidity** - During year ending June 30, 2011, the Company reported revenue of \$53.5 million, and a change in net assets of approximately \$24.1 million. Management believes that it has cash on hand, anticipated 2012 operating results, and available credit facilities that are sufficient to fund its operations through June 30, 2012.

**B. Basis of Accounting** - The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and

# CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets. Operating expenses for the Authority include the costs of operating the turnpikes, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

Roads and bridges, 40 years  
Improvements, 5-20 years  
Buildings, 20-30 years  
Equipment, 3-7 years

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

Prior to the reclassification of the construction-in-progress related to the 183-A toll road to property and equipment, the majority of capitalized costs for the year ended June 30, 2011 and 2010 related to construction-in-progress. During fiscal years 2011 and 2010, computer and other types of equipment were obtained and depreciated using the straight-line method over periods ranging from 3 to 7 years.

The Authority capitalizes interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

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

## CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

- F. Grants and Contracts** - Revenues include charges paid by a related party for a sublease contract agreement. Revenues on grants and contributions including right-of-way property that is restricted to meeting the operational or capital requirements of a particular program. The Authority considers all grant and contributions to be 100% collectible.
- G. Investments** - The Authority invests funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Investments are carried at fair value. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value is determined typically by quoted market prices.
- H. Restricted Assets** - Certain proceeds of the Authority's bonds and grants, as well as certain other resources, are classified as restricted assets in the statement of net asset because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
- I. Income Taxes** - The Authority is an instrumentality of the State of Texas. As such, income earned in the exercise of its essential government functions is exempt from state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.
- J. Bond Premiums, Discounts, and Issuance Costs** - The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest. Bond issuance cost is amortized over the estimated life of the bonds. In the years ended June 30, 2011 and 2010, the Authority amortized \$298,307 and \$288,547 of issuance costs, respectively.
- K. Classification of Operating and Non-operating Revenue and Expenses** - The Authority defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with the codification of Government and Financial Reporting Standards which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.
- L. Estimates** - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Examples of management's use of estimates and assumptions include, but are not limited to, depreciable lives and estimated residual value of property and equipment, amortization period of deferred costs, and the valuation of investments.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

**M. Subsequent Events** - The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ending June 30, 2011, this date was October 14, 2011.

**2. Cash and Investments**

Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of the Authority's services.

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

As of June 30, 2011 and 2010, the Authority had the following investments:

<u>Summary of Investments by Type</u>	<u>2011</u>	<u>2010</u>
TexSTAR Investment Pool	\$ 31,106,287	40,365,479
Certificates of Deposit	3,100,000	3,100,000
Guaranteed Investment Contract	266,522,987	100,209,006
U.S. Government Agency securities:		
Federal Home Loan Mortgage Corp.	63,917,165	8,060,036
Total investments	<u>\$ 364,646,439</u>	<u>151,734,521</u>
Unrestricted investments	\$ 7,690,809	3,362,663
Restricted investments	356,955,630	148,371,858
Total investments	<u>\$ 364,646,439</u>	<u>151,734,521</u>
Interest income	\$ 239,771	369,867
Total investment income	<u>\$ 239,771</u>	<u>369,867</u>

# CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

## *Custodial Credit Risk*

### **Deposits**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. While the Board has no formal policy specific to custodial credit risk, operating bank accounts are fully collateralized with pledged securities.

At June 30, 2011, the carrying amount of the Authority's cash and cash equivalents was \$76,796,376. The bank balance was \$350,931 as of June 30, 2011. The remaining amount was maintained in money market accounts. At June 30, 2010, the carrying amount of the Authority's cash and cash equivalents was \$37,119,877. The bank balance was \$139,977 as of June 30, 2010. The remaining amount is maintained in money market accounts.

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

### **Investments**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Authority, and are held by the counterparty, its trust or agent, but not in the Authority's name. The Authority's investment securities are not exposed to custodial credit risk because all securities are held by the Authority's custodial bank in the Authority's name.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority is authorized to invest funds in accordance with its investment policy, bond indentures, and the Texas Public Funds Investment Act. Authorized investments include, but are not limited to: U.S. Treasury and Federal Agency issues, certificates of deposit issued by a state or national bank domiciled in the State of Texas, repurchase agreements collateralized by U.S. Treasury or Federal Agency securities, guaranteed investment contracts (GICs), obligations of states and municipalities, SEC registered no-load money market mutual funds, and local government investment funds. The Authority's investments are insured or registered and are held by the Authority or its agent in the Authority's name.

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

# CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

As of June 30, 2011 and 2010, the Authority's portfolio consisted of the following:

	<u>2011</u>	<u>2010</u>
TexSTAR Investment Pool	8.5%	26.6%
Certificates of Deposit	0.9%	2.0%
Guaranteed Investment Contracts	73.1%	66.0%
United States Government Agency securities	17.5%	5.3%

## ***Interest Rate Risk***

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Interest rate risk may be mitigated by investing operating funds primarily in shorter term securities, money market funds or similar investment pools and limiting the average maturity of the portfolio.

The Authority's investment policy notes that with regard to maximum maturities, the Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest operating or general funds in securities maturing more than sixteen months from the date of purchase, unless approved by the Authority's Board. Investment of bond proceeds shall not exceed the projected expenditure schedule of the related project. Reserve funds may be invested in securities exceeding twelve months if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

As of June 30, 2011 and 2010, all of the Authority's investments mature within one year. The weighted average maturity of the TexSTAR Investment Pool at June 30, 2011 and 2010 was 46 days and 47 days, respectively.

## ***Credit Risk***

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

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

The TexSTAR Investment Pool is rated AAA by Standard and Poor's and is fully collateralized and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The amounts can be withdrawn with limited notice. The United States government agency securities are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government and are not considered to have credit risk.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

**3. Capital Assets**

The following schedule summarizes the capital assets of the Authority as of June 30, 2011 and 2010:

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

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

Property, toll road and equipment as of June 30, 2010:

	<u>2009</u>	<u>Additions/ Disposals</u>	<u>Reclass</u>	<u>2010</u>
Property and equipment	\$ 9,582,667	49,355	-	\$ 9,632,022
Toll Road				
Building and toll facilities	7,062,332	-	-	7,062,332
Highways and bridges	198,169,868	111,469	-	198,281,337
Toll equipment	4,382,721	-	-	4,382,721
Signs	5,630,643	-	-	5,630,643
Land improvements	1,078,913	15,633	-	1,094,546
Right of way	23,680,945	2,606	-	23,683,551
Accumulated depreciation	(16,135,249)	(7,580,638)	-	(23,715,887)
Net property and equipment	\$ <u>233,452,840</u>	<u>(7,401,575)</u>	-	\$ <u>226,051,265</u>

Construction in progress as of June 30, 2011:

	<u>2010</u>	<u>Additions/ Disposals</u>	<u>Reclass</u>	<u>2011</u>
Construction in progress				
Preliminary costs	\$ 48,231,054	122,040,776	-	\$ 170,271,830
Engineering	8,277	(8,277)	-	-
Construction	17,345,528	2,385,293	-	19,730,821
Collection system	69,828	-	-	69,828
Capitalized interest	3,307,024	9,512,801	-	12,819,825
Net construction in progress	\$ <u>68,961,711</u>	<u>133,930,593</u>	-	\$ <u>202,892,304</u>

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

Construction in progress as of June 30, 2010:

	<u>2009</u>	<u>Additions/ Disposals</u>	<u>Reclass</u>	<u>2010</u>
Construction in progress				
Preliminary costs	\$ 16,222,995	32,008,059	-	\$ 48,231,054
Engineering	215,177	(206,900)	-	8,277
Construction	15,365,680	1,979,848	-	17,345,528
Collection system	62,841	6,987	-	69,828
Capitalized interest	-	3,307,024	-	3,307,024
Net construction in progress	<u>\$ 31,866,693</u>	<u>37,095,018</u>	<u>-</u>	<u>\$ 68,961,711</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$7,290,997 and \$7,580,638, respectively. No retirements of capital assets occurred during the years ended June 30, 2011 and 2010.

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

	<u>Capitalized Interest</u>
Interest accrued on bonds	\$ 13,539,803
Plus: bond issuance cost amortization	287,171
Interest expense capitalized	<u>13,826,974</u>
Less: cumulative interest earned on bond proceeds invested	(1,007,149)
	<u>\$ 12,819,825</u>

**4. Bonds Payable**

The following schedule summarizes the bonds payable as of June 30, 2011 and 2010:

Bonds Payable as of June 30, 2011:

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



**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

Bonds Payable as of June 30, 2010:

	<u>2009</u>	<u>Additions/ Amortization</u>	<u>Payments</u>	<u>2010</u>
Series 2005 Bonds	\$ 173,082,981	(158,253)	-	\$ 172,924,728
TIFIA Bond	70,752,832	3,357,215	-	74,110,047
Series 2009 Taxable Revenue Note	14,929,167	-	(14,929,167)	-
Series 2010 Obligations State Infrastructure Bank Loan	-	140,116,204		140,116,204
	-	32,153,244		32,153,244
<b>Total</b>	<u>\$ 258,764,980</u>	<u>175,468,410</u>	<u>(14,929,167)</u>	<u>\$ 419,304,223</u>

***Series 2005 Obligations***

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

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

The Series 2005 CIBs are scheduled to mature on the dates and in the principal amounts shown below. Interest on the Series 2005 CIBs is calculated on the basis of a 360-day year of twelve 30-day months at the interest rates shown below. Interest on the 2005 CIBs is payable on each July 1 and January 1, commencing July 1, 2005.

The Series 2005 Convertible CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of \$24,010,000. As of June 30, 2011, the aggregate maturity amount is \$21,063,781.

The principal amounts shown below for the Series 2005 Convertible CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2011.

Interest on the Series 2005 Convertible CABs will accrete from the date of initial delivery until January 1, 2014 at the interest rates noted below and will compound on each July 1 and January 1, commencing July 1, 2005, and on January 1, 2014. From and after January 1, 2014, interest on the maturity amount of the Series 2005 Convertible CABs will accrue at the interest rates noted below and will be payable each July 1 and January 1.

Under the bond indenture relating to the Series 2005 Obligations, the debt service reserve fund for the Series 2005 Senior Lien Revenue Bonds requires an amount equal to the least of i) the maximum annual debt service of all outstanding senior lien obligations, ii) 1.25 times the average annual debt service of all outstanding senior lien obligations, or iii) ten percent of the aggregate

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total
Series 2005 Senior Lien Revenue Bonds					
Convertible Capital Appreciation Bonds	2015	4.20%	\$ 1,593,394	\$ -	\$ 1,593,394
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	-	3,124,749
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	-	2,738,819
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	-	2,423,743
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	-	2,177,004
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	-	1,969,370
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	-	2,305,532
Total Convertible Capital Appreciation Bonds			<u>16,332,611</u>	<u>-</u>	<u>16,332,611</u>
Current Interest Serial Bonds	2012	5.00%	1,495,000	12,530	1,507,530
Current Interest Serial Bonds	2013	5.00%	2,720,000	60,679	2,780,679
Current Interest Serial Bonds	2014	3.50%	3,100,000	(5,995)	3,094,005
Current Interest Serial Bonds	2022	5.00%	3,260,000	171,204	3,431,204
Current Interest Serial Bonds	2023	5.00%	3,115,000	161,434	3,276,434
Current Interest Serial Bonds	2024	5.00%	2,995,000	150,319	3,145,319
Current Interest Term Bonds	2025	4.50%	2,950,000	(16,709)	2,933,291
Current Interest Term Bonds	2026	4.50%	4,235,000	(24,494)	4,210,506
Current Interest Term Bonds	2027	4.50%	4,280,000	(25,216)	4,254,784
Current Interest Term Bonds	2028	4.50%	3,815,000	(22,848)	3,792,152
Current Interest Term Bonds	2029	4.50%	3,870,000	(23,521)	3,846,479
Current Interest Term Bonds	2030	5.00%	3,930,000	157,745	4,087,745
Current Interest Term Bonds	2031	5.00%	5,200,000	211,251	5,411,251
Current Interest Term Bonds	2032	5.00%	5,250,000	215,624	5,465,624
Current Interest Term Bonds	2033	5.00%	5,315,000	220,455	5,535,455
Current Interest Term Bonds	2034	5.00%	5,395,000	225,808	5,620,808
Current Interest Term Bonds	2035	5.00%	5,490,000	231,693	5,721,693
Current Interest Term Bonds	2036	5.00%	7,170,000	253,030	7,423,030
Current Interest Term Bonds	2037	5.00%	7,320,000	260,116	7,580,116
Current Interest Term Bonds	2038	5.00%	7,485,000	267,686	7,752,686
Current Interest Term Bonds	2039	5.00%	7,670,000	275,919	7,945,919
Current Interest Term Bonds	2040	5.00%	7,875,000	284,843	8,159,843
Current Interest Term Bonds	2041	5.00%	9,000,000	327,180	9,327,180
Current Interest Term Bonds	2042	5.00%	9,245,000	337,663	9,582,663
Current Interest Term Bonds	2043	5.00%	9,520,000	349,227	9,869,227
Current Interest Term Bonds	2044	5.00%	9,810,000	361,326	10,171,326
Current Interest Term Bonds	2045	5.00%	10,125,000	374,357	10,499,357
Total Current Interest Bonds			<u>151,635,000</u>	<u>4,791,306</u>	<u>156,426,306</u>
Total Series 2005 Senior Lien Revenue Bonds			\$ <u>167,967,611</u>	\$ <u>4,791,306</u>	\$ <u>172,758,917</u>

The amount of accumulated accreted interest on the Series 2005 Convertible CABs as of June 30, 2011 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2005.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total
Convertible Capital Appreciation Bonds	2015	4.20%	\$ 1,593,394	\$ 436,968	\$ 2,030,362
Convertible Capital Appreciation Bonds	2016	4.25%	3,124,749	868,310	3,993,059
Convertible Capital Appreciation Bonds	2017	4.35%	2,738,819	781,111	3,519,930
Convertible Capital Appreciation Bonds	2018	4.45%	2,423,743	709,058	3,132,801
Convertible Capital Appreciation Bonds	2019	4.50%	2,177,004	644,936	2,821,940
Convertible Capital Appreciation Bonds	2020	4.55%	1,969,370	590,694	2,560,064
Convertible Capital Appreciation Bonds	2021	4.60%	2,305,532	700,093	3,005,625
Total Convertible Capital Appreciation Bonds			\$ 16,332,611	\$ 4,731,170	\$ 21,063,781

***Series 2010 Obligations***

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

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

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

The Series 2010 CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of \$176,120,000. As of June 30, 2011, the aggregate maturity amount is \$37,166,002.

The principal amounts shown below for the Series 2010 CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2011.

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

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

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

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

Under the bond indenture relating to the Series 2010 Obligations, the debt service reserve fund for the Series 2010 Senior Lien Revenue Bonds requires an amount equal to the least of i) the maximum annual debt service of all outstanding senior lien obligations, ii) 1.25 times the average annual debt service of all outstanding senior lien obligations, or iii) ten percent of the aggregate amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued. The debt service reserve fund for the Series 2010 Subordinate Lien BABs requires an amount equal to the amounts set forth in the supplemental indenture relating thereto.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total
Series 2010 Senior Lien Revenue Bonds					
Capital Appreciation Bonds	2025	7.20%	\$ 3,158,010	\$ -	\$ 3,158,010
Capital Appreciation Bonds	2026	7.30%	3,516,022	-	3,516,022
Capital Appreciation Bonds	2027	7.40%	3,264,322	-	3,264,322
Capital Appreciation Bonds	2028	7.48%	3,171,378	-	3,171,378
Capital Appreciation Bonds	2029	7.56%	2,932,886	-	2,932,886
Capital Appreciation Bonds	2030	7.65%	2,702,667	-	2,702,667
Capital Appreciation Bonds	2031	7.71%	2,254,554	-	2,254,554
Capital Appreciation Bonds	2032	7.77%	2,103,884	-	2,103,884
Capital Appreciation Bonds	2033	7.78%	1,980,266	-	1,980,266
Capital Appreciation Bonds	2034	7.79%	1,860,557	-	1,860,557
Capital Appreciation Bonds	2035	7.80%	1,745,753	-	1,745,753
Capital Appreciation Bonds	2036	7.81%	1,418,625	-	1,418,625
Capital Appreciation Bonds	2037	7.82%	1,337,508	-	1,337,508
Capital Appreciation Bonds	2038	7.83%	1,258,995	-	1,258,995
Capital Appreciation Bonds	2039	7.84%	1,183,406	-	1,183,406
Capital Appreciation Bonds	2040	7.85%	1,110,877	-	1,110,877
Total Capital Appreciation Bonds			<u>34,999,710</u>	<u>-</u>	<u>34,999,710</u>
Current Interest Serial Bonds	2015	5.75%	140,000	6,809	146,809
Current Interest Serial Bonds	2017	5.75%	1,620,000	57,799	1,677,799
Current Interest Serial Bonds	2018	5.75%	3,475,000	100,423	3,575,423
Current Interest Serial Bonds	2019	5.75%	5,310,000	116,661	5,426,661
Current Interest Serial Bonds	2020	5.75%	7,240,000	111,771	7,351,771
Current Interest Term Bonds	2021	5.75%	8,530,000	(37,500)	8,492,500
Current Interest Term Bonds	2022	5.75%	9,365,000	(41,831)	9,323,169
Current Interest Term Bonds	2023	5.75%	10,215,000	(46,265)	10,168,735
Current Interest Term Bonds	2024	5.75%	11,075,000	(50,782)	11,024,218
Current Interest Term Bonds	2025	5.75%	2,910,000	(13,493)	2,896,507
Total Current Interest Bonds			<u>59,880,000</u>	<u>203,592</u>	<u>60,083,592</u>
Total Series 2010 Senior Lien Revenue Bonds			<u>94,879,710</u>	<u>203,592</u>	<u>95,083,302</u>

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

Series 2010 Subordinate Lien BABs						
Subordinate Lien BABs (Fixed Rate)	2015	11.625%	395,000	-	395,000	
Subordinate Lien BABs (Fixed Rate)	2016	11.625%	425,000	-	425,000	
Subordinate Lien BABs (Fixed Rate)	2017	11.625%	460,000	-	460,000	
Subordinate Lien BABs (Fixed Rate)	2018	11.625%	490,000	-	490,000	
Subordinate Lien BABs (Fixed Rate)	2019	11.625%	530,000	-	530,000	
Subordinate Lien BABs (Fixed Rate)	2020	11.625%	570,000	-	570,000	
Subordinate Lien BABs (Fixed Rate)	2021	11.625%	610,000	-	610,000	
Subordinate Lien BABs (Fixed Rate)	2022	11.625%	660,000	-	660,000	
Subordinate Lien BABs (Fixed Rate)	2023	11.625%	710,000	-	710,000	
Subordinate Lien BABs (Fixed Rate)	2024	11.625%	760,000	-	760,000	
Subordinate Lien BABs (Fixed Rate)	2025	11.625%	820,000	-	820,000	
Subordinate Lien BABs (Fixed Rate)	2026	11.625%	880,000	-	880,000	
Subordinate Lien BABs (Fixed Rate)	2027	11.625%	950,000	-	950,000	
Subordinate Lien BABs (Fixed Rate)	2028	11.625%	1,020,000	-	1,020,000	
Subordinate Lien BABs (Fixed Rate)	2029	11.625%	1,095,000	-	1,095,000	
Subordinate Lien BABs (Fixed Rate)	2030	11.625%	1,180,000	-	1,180,000	
Subordinate Lien BABs (Fixed Rate)	2031	11.625%	1,270,000	-	1,270,000	
Subordinate Lien BABs (Fixed Rate)	2032	11.625%	1,455,000	-	1,455,000	
Subordinate Lien BABs (Fixed Rate)	2033	11.625%	1,660,000	-	1,660,000	
Subordinate Lien BABs (Fixed Rate)	2034	11.625%	1,880,000	-	1,880,000	
Subordinate Lien BABs (Fixed Rate)	2035	11.625%	2,125,000	-	2,125,000	
Subordinate Lien BABs (Fixed Rate)	2036	11.625%	2,385,000	-	2,385,000	
Subordinate Lien BABs (Fixed Rate)	2037	11.625%	2,675,000	-	2,675,000	
Subordinate Lien BABs (Fixed Rate)	2038	11.625%	2,985,000	-	2,985,000	
Subordinate Lien BABs (Fixed Rate)	2039	11.625%	3,320,000	-	3,320,000	
Subordinate Lien BABs (Fixed Rate)	2040	11.625%	3,690,000	-	3,690,000	
Total Subordinate Lien BABs (Fixed Rate)			<u>35,000,000</u>	<u>-</u>	<u>35,000,000</u>	
Subordinate Lien BABs (Variable Rate)	2015	variable	110,000	-	110,000	
Subordinate Lien BABs (Variable Rate)	2016	variable	120,000	-	120,000	
Subordinate Lien BABs (Variable Rate)	2017	variable	130,000	-	130,000	
Subordinate Lien BABs (Variable Rate)	2018	variable	140,000	-	140,000	
Subordinate Lien BABs (Variable Rate)	2019	variable	150,000	-	150,000	
Subordinate Lien BABs (Variable Rate)	2020	variable	165,000	-	165,000	
Subordinate Lien BABs (Variable Rate)	2021	variable	175,000	-	175,000	
Subordinate Lien BABs (Variable Rate)	2022	variable	190,000	-	190,000	
Subordinate Lien BABs (Variable Rate)	2023	variable	205,000	-	205,000	
Subordinate Lien BABs (Variable Rate)	2024	variable	225,000	-	225,000	
Subordinate Lien BABs (Variable Rate)	2025	variable	240,000	-	240,000	
Subordinate Lien BABs (Variable Rate)	2026	variable	260,000	-	260,000	
Subordinate Lien BABs (Variable Rate)	2027	variable	285,000	-	285,000	
Subordinate Lien BABs (Variable Rate)	2028	variable	305,000	-	305,000	
Subordinate Lien BABs (Variable Rate)	2029	variable	330,000	-	330,000	
Subordinate Lien BABs (Variable Rate)	2030	variable	360,000	-	360,000	
Subordinate Lien BABs (Variable Rate)	2031	variable	385,000	-	385,000	
Subordinate Lien BABs (Variable Rate)	2032	variable	420,000	-	420,000	
Subordinate Lien BABs (Variable Rate)	2033	variable	455,000	-	455,000	
Subordinate Lien BABs (Variable Rate)	2034	variable	515,000	-	515,000	
Subordinate Lien BABs (Variable Rate)	2035	variable	590,000	-	590,000	
Subordinate Lien BABs (Variable Rate)	2036	variable	665,000	-	665,000	
Subordinate Lien BABs (Variable Rate)	2037	variable	750,000	-	750,000	
Subordinate Lien BABs (Variable Rate)	2038	variable	840,000	-	840,000	
Subordinate Lien BABs (Variable Rate)	2039	variable	940,000	-	940,000	
Subordinate Lien BABs (Variable Rate)	2040	variable	1,050,000	-	1,050,000	
Total Subordinate Lien BABs (Variable Rate)			<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>	
Total Series 2010 Subordinate Lien BABs			<u>45,000,000</u>	<u>-</u>	<u>45,000,000</u>	
Total Series 2010 Obligations			<u>\$ 139,879,710</u>	<u>\$ 203,592</u>	<u>\$ 140,083,302</u>	

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

The amount of accumulated accreted interest on the Series 2010 CABs as of June 30, 2011 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2010.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total
Capital Appreciation Bonds	2025	7.20%	\$ 3,158,010	\$ 185,220	\$ 3,343,230
Capital Appreciation Bonds	2026	7.30%	3,516,022	209,118	3,725,140
Capital Appreciation Bonds	2027	7.40%	3,264,322	196,825	3,461,147
Capital Appreciation Bonds	2028	7.48%	3,171,378	193,228	3,364,606
Capital Appreciation Bonds	2029	7.56%	2,932,886	180,678	3,113,564
Capital Appreciation Bonds	2030	7.65%	2,702,667	168,566	2,871,233
Capital Appreciation Bonds	2031	7.71%	2,254,554	141,658	2,396,212
Capital Appreciation Bonds	2032	7.77%	2,103,884	133,302	2,237,186
Capital Appreciation Bonds	2033	7.78%	1,980,266	125,658	2,105,924
Capital Appreciation Bonds	2034	7.79%	1,860,557	118,193	1,978,750
Capital Appreciation Bonds	2035	7.80%	1,745,753	111,025	1,856,778
Capital Appreciation Bonds	2036	7.81%	1,418,625	90,361	1,508,986
Capital Appreciation Bonds	2037	7.82%	1,337,508	85,208	1,422,716
Capital Appreciation Bonds	2038	7.83%	1,258,995	80,445	1,339,440
Capital Appreciation Bonds	2039	7.84%	1,183,406	75,698	1,259,104
Capital Appreciation Bonds	2040	7.85%	1,110,877	71,109	1,181,986
Total Capital Appreciation Bonds			\$ 34,999,710	\$ 2,166,292	\$ 37,166,002

***TIFIA Bond***

The U.S. Department of Transportation agreed to lend the Authority up to \$66 million to pay or reimburse a portion of the costs of the 2005 Project, including any refinancing of the Series 2005 Subordinate Lien BANs, under a secured loan agreement between the Authority and the U.S. Department of Transportation. On March 2, 2005, the Authority issued its 2005 TIFIA Bond to evidence its obligation to repay any borrowing under such secured loan agreement.

On January 1, 2008, the Authority borrowed the entire balance of \$66 million to pay down the Series 2005 Subordinate Lien BANs. The maturity date of the TIFIA Bond is January 1, 2042. Interest on the TIFIA bond accrues at an annual rate of 4.69% with interest payable each January 1 and July 1, commencing January 1, 2012. As of June 30, 2011, the Authority had a total of \$11,626,561 of interest accrued on the \$66,000,000 balance for a total of \$77,626,562 in outstanding principal and interest. As of June 30, 2010, the Authority had a total of \$8,110,047 of interest accrued on the \$66,000,000 balance for a total of \$74,110,047 in outstanding principal and interest.

***State Infrastructure Bank Loan***

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

## CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

As of June 30, 2010, the balance of the SIB Loan was \$32,153,244 which included \$543,244 of accrued interest. As of June 30, 2011, the SIB Loan was paid in full from a portion of the proceeds of the Series 2011 Obligations, as described below.

### *Series 2011 Obligations*

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

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

The Series 2011 CIBs are scheduled to mature on the dates and in the principal amounts shown below. Interest on the Series 2011 CIBs is calculated on the basis of a 360-day year of twelve 30-day months at the interest rates shown below. Interest on the Series 2011 CIBs is payable on each July 1 and January 1, commencing January 1, 2012.

The Series 2011 CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of \$22,130,000. As of June 30, 2011, the aggregate maturity amount is \$9,999,944.

The principal amounts shown below for the Series 2011 CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2011.

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

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

Under the bond indenture relating to the Series 2011 Obligations, the debt service reserve fund for the Series 2011 Senior Lien Revenue Bonds requires an amount equal to the least of i) the maximum annual debt service of all outstanding senior lien obligations, ii) 1.25 times the average annual debt service of all outstanding senior lien obligations, or iii) ten percent of the aggregate amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued. The debt service reserve fund for the Series 2011 Subordinate Lien

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

Bonds requires an amount equal to the least of i) the maximum annual debt service on the Series 2011 Subordinate Lien Bonds, ii) 1.25 times the average annual debt service on the Series 2011 Subordinate Lien Bonds, or iii) ten percent of the stated principal amount of the Series 2011 Subordinate Lien Bonds.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total
Series 2011 Senior Lien Revenue Bonds					
Capital Appreciation Bonds	2022	5.90%	\$ 480,449	\$ -	\$ 480,449
Capital Appreciation Bonds	2023	6.10%	1,868,357	-	1,868,357
Capital Appreciation Bonds	2024	6.25%	3,346,475	-	3,346,475
Capital Appreciation Bonds	2025	6.40%	3,183,732	-	3,183,732
Capital Appreciation Bonds	2026	6.50%	1,120,931	-	1,120,931
Total Capital Appreciation Bonds			<u>9,999,944</u>	<u>-</u>	<u>9,999,944</u>
Current Interest Term Bonds	2026	5.75%	4,630,000	(3,446,624)	1,183,376
Current Interest Term Bonds	2027	5.75%	7,725,000	(219,317)	7,505,683
Current Interest Term Bonds	2028	5.75%	8,170,000	(211,495)	7,958,505
Current Interest Term Bonds	2029	5.75%	8,645,000	(203,165)	8,441,835
Current Interest Term Bonds	2030	5.75%	9,140,000	(194,320)	8,945,680
Current Interest Term Bonds	2031	5.75%	9,665,000	(184,803)	9,480,197
Current Interest Term Bonds	2032	6.00%	10,225,000	(174,880)	10,050,120
Current Interest Term Bonds	2033	6.00%	10,835,000	(164,524)	10,670,476
Current Interest Term Bonds	2034	6.00%	11,485,000	(153,579)	11,331,421
Current Interest Term Bonds	2035	6.00%	12,175,000	(142,163)	12,032,837
Current Interest Serial Bonds	2036	6.00%	12,905,000	(130,259)	12,774,741
Current Interest Term Bonds	2037	6.00%	13,675,000	(117,708)	13,557,292
Current Interest Term Bonds	2038	6.00%	14,500,000	(104,622)	14,395,378
Current Interest Term Bonds	2039	6.00%	15,365,000	(90,842)	15,274,158
Current Interest Term Bonds	2040	6.00%	16,290,000	(76,481)	16,213,519
Current Interest Term Bonds	2041	6.00%	27,560,000	(98,169)	27,461,831
Current Interest Term Bonds	2042	6.25%	15,980,000	(41,544)	15,938,456
Current Interest Term Bonds	2043	6.25%	17,165,000	(33,343)	17,131,657
Current Interest Term Bonds	2044	6.25%	18,425,000	( 24,541 )	18,400,459
Current Interest Term Bonds	2045	6.25%	19,750,000	(15,105)	19,734,895
Current Interest Term Bonds	2046	6.25%	31,620,000	(70,689)	31,549,311
Total Current Interest Bonds			<u>295,930,000</u>	<u>(5,898,173)</u>	<u>290,031,827</u>
Total Series 2011 Senior Lien Revenue Bonds			<u>305,929,944</u>	<u>(5,898,173)</u>	<u>300,031,771</u>
Subordinate Lien Term Bonds	2023	6.75%	700,000	-	700,000
Subordinate Lien Term Bonds	2024	6.75%	1,900,000	-	1,900,000
Subordinate Lien Term Bonds	2025	6.75%	2,300,000	-	2,300,000
Subordinate Lien Term Bonds	2026	6.75%	2,500,000	-	2,500,000
Subordinate Lien Term Bonds	2027	6.75%	2,700,000	-	2,700,000
Subordinate Lien Term Bonds	2028	6.75%	2,800,000	-	2,800,000
Subordinate Lien Term Bonds	2029	6.75%	3,000,000	-	3,000,000
Subordinate Lien Term Bonds	2030	6.75%	3,200,000	-	3,200,000
Subordinate Lien Term Bonds	2031	6.75%	3,500,000	-	3,500,000
Subordinate Lien Term Bonds	2032	6.75%	3,600,000	-	3,600,000
Subordinate Lien Term Bonds	2033	6.75%	3,700,000	-	3,700,000
Subordinate Lien Term Bonds	2034	6.75%	3,900,000	-	3,900,000
Subordinate Lien Term Bonds	2035	6.75%	4,000,000	-	4,000,000
Subordinate Lien Term Bonds	2036	6.75%	4,100,000	-	4,100,000
Subordinate Lien Term Bonds	2037	6.75%	4,300,000	-	4,300,000



**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

Subordinate Lien Term Bonds	2038	6.75%	4,400,000	-	4,400,000
Subordinate Lien Term Bonds	2039	6.75%	4,600,000	-	4,600,000
Subordinate Lien Term Bonds	2040	6.75%	4,700,000	-	4,700,000
Subordinate Lien Term Bonds	2041	6.75%	10,100,000	-	10,100,000
Total Series 2011 Subordinate Lien Term Bonds			<u>70,000,000</u>	<u>-</u>	<u>70,000,000</u>
Total Series 2011 Obligations			\$ <u>375,929,944</u>	\$ <u>(5,898,173)</u>	\$ <u>370,031,771</u>

The amount of accumulated accreted interest on the Series 2011 CABs as of June 30, 2011 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2011.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total
Capital Appreciation Bonds	2022	5.90%	\$ 480,449	\$ -	\$ 480,449
Capital Appreciation Bonds	2023	6.10%	1,868,357	-	1,868,357
Capital Appreciation Bonds	2024	6.25%	3,346,475	-	3,346,475
Capital Appreciation Bonds	2025	6.40%	3,183,732	-	3,183,732
Capital Appreciation Bonds	2026	6.50%	<u>1,120,931</u>	<u>-</u>	<u>1,120,931</u>
Total Capital Appreciation Bonds			\$ <u>9,999,944</u>	\$ <u>-</u>	\$ <u>9,999,944</u>

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

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

Fiscal Year Ended June 30	Principal	Interest	Total Amount
2012	\$ 100,000	\$ 42,938,969	\$ 43,038,969
2013	150,000	45,754,275	45,904,275
2014	200,000	46,033,326	46,233,326
2015	895,000	46,219,627	47,114,627
2016	2,019,404	39,621,981	41,641,385
2017 and thereafter	748,039,480	971,900,105	1,719,939,585
Total obligations	\$ <u>751,403,884</u>	\$ <u>1,192,468,283</u>	\$ <u>1,943,872,167</u>

Below is a reconciliation of the principal payments to the balance sheet as of June 30, 2011:

Total obligations	\$ 751,403,884
Add: Unamortized Premium / Discount	<u>9,096,668</u>
Total Series 2005 Senior Lien Revenue Bonds, Series 2010 Obligations, Series 2011 Obligations and TIFIA Bond	\$ <u>760,500,552</u>

# CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

## 5. **Rebatable Arbitrage**

Current federal income tax law and the bond indentures require that certain arbitrage profits earned on nonpurpose investments attributable to outstanding tax-exempt bonds must be rebated to the U.S. Treasury. The Authority has not accrued any rebatable arbitrage as of June 30, 2011.

## 6. **Risk Management**

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority carries insurance with a governmental risk pool under an "all risks" policy. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk so as to reduce the overall exposure of risk to the Authority. There were no settlements in excess of insurance coverage in 2011 and 2010.

## 7. **Employee Retirement Plan**

**Plan Description** - The Authority participates in the Texas County and District Retirement System (the System). The System is a non-profit public trust providing pension, disability and death benefits for the eligible employees of participating counties and districts. The System was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCDRS Act (Subtitle F, Title 8, Texas Government Code) is the basis for the System administration. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the Plan. That annual report may be downloaded at <http://www.tcdrs.com>.

**Funding Policy** - Plan members and the Authority are required to contribute at a rate set by statute. The contribution requirements of Plan members and the Authority are established and may be amended. For 2011 and 2010, the contribution rate for the Plan members was 7.0% of gross pay. The Authority pays a matching portion to the defined contribution pension plan totaling 14.50% and 14.50% of gross pay for 2011 and 2010, respectively, which totaled \$250,475 and \$224,930 for 2011 and 2010, respectively.

## 8. **Disaggregation of Receivable and Payable Balances**

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2011 and 2010. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2011 and 2010.

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**

Notes to Financial Statements

June 30, 2011 and 2010

(Continued)

**9. Related Party**

The Chief Financial Officer of the Authority is the President of The Texas Short Term Asset Reserve Fund (“TexSTAR”). TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Authority has investments of \$31,106,287 and \$40,365,479 in TexSTAR as of June 30, 2011 and 2010, respectively.

**10. Commitments and Contingent Liabilities**

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

2012	\$	106,491
2013		<u>62,120</u>
	\$	<u>168,611</u>

The Authority’s total rental expense for fiscal years 2011 and 2010 amounted to \$185,771 and \$185,354, respectively.

**11. Due from Other Agencies**

Due from other agencies is comprised of amounts due from other Texas tolling authorities related to toll tag transactions on the Authority’s toll road. The Authority does not issue toll tags; however, the Authority has contracted with the Texas Department of Transportation (TxDot) to handle customer service and operations related to the toll tag transactions. As of June 30, 2011 and 2010, the receivable from the TxDot authority comprises approximately 88% and 94%, respectively, of the total balance due from other agencies, respectively, as follows.

	<u>2011</u>	<u>2010</u>
TxDot	\$ 5,158,130	\$ 5,874,267
Other Agencies	<u>722,606</u>	<u>362,021</u>
Total	<u>\$ 5,880,736</u>	<u>\$ 6,236,288</u>

**CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY**  
Supplemental Schedule - Indenture Cash Flow and Debt Service Coverage  
For the year ended June 30, 2011

Toll Revenues		\$ 21,458,000
Other Revenues		2,383 <sup>1</sup>
Interest Income Available to Pay Debt Service		239,771
Total Revenues		<u>21,700,154</u>
Less: System Operating Expenses		<u>(5,848,981)</u>
Revenues Available for Rate Covenant and Additional Bonds Tests		15,851,173
Net Senior Lien Debt Service	\$ 7,439,500	
Net Subordinate Lien Debt Service	<u>-</u>	
Total Net Debt Service	7,439,500	
Debt Service Coverage Ratio for Rate Covenant and Additional Bonds Test		
Senior Lien Obligations	2.13	
Senior and Subordinate Lien Obligations	2.13	
Less: System Maintenance Expenses		<u>(984,494)</u>
Revenues Available for Debt Service		14,866,679
Debt Service Coverage Ratios for Revenues Available for Debt Service		
Senior Lien Obligations	2.00	
Senior and Subordinate Lien Obligations	2.00	
Less: Total Net Debt Service		(7,439,500)
Less: Deposits to Renewal and Replacement Fund		-
Less: Debt Service Payments on Other Obligations		<u>(1,243,667) <sup>2</sup></u>
Annual Excess		<u><u>\$ 6,183,512</u></u>

<sup>1</sup> Grant revenues of approximately \$32 million is excluded from "Other Revenues" as such grant revenues are restricted for purposes other than debt service obligations.

<sup>2</sup> The amount shown is net of any federal subsidy payments received and used to pay debt service on Other Obligations.