CENTRAL TEXAS
Regional Mobility Authority

Meeting Date: September 30, 2015
AUDIT COMMITTEE MEETING
AGENDA ITEM # 17-C

Accept the Independent Audit Reports by Padgett, Stratemann & Co., L.L.P, for the Fiscal Year Ending June 30, 2015.

Strategic Plan Relevance:	Regional Mobility/Innovation/Economic Vitality/ Sustainability
Department:	Finance
Contact:	Bill Chapman, Chief Financial Officer
Associated Costs:	Not Applicable
Funding Source:	Not Applicable
Action Requested:	Consider and act on draft resolution

Summary:

Each year the Mobility Authority engages an independent CPA firm to conduct the Authority's required annual audit and single audit. Padgett, Stratemann & Co., L.L.P. has completed the annual audit for FY 2015 and will present those reports to the Audit Committee.

The draft resolution accepts the annual audits for FY2015.

Backup provided:	FY 2015 Audit Reports; Draft Board Report, Audited Financial Statements with Management Discussion and Analysis; Single Audit Report (Signed Audits will be available at the Board Meeting without changes to the attached). Draft Resolution

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

RESOLUTION NO. 15-___

ACCEPT THE INDEPENDENT AUDIT REPORTS BY PADGETT, STRATEMANN & CO., LLP, FOR THE FISCAL YEAR ENDING JUNE 30, 2015.

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, under Resolution No. 09-50 and Section 101.036 of the Mobility Authority Policy Code, the Audit Committee is authorized to exercise all powers and authority of the Board of Directors with respect to Mobility Authority finances, and accordingly acts as, and on behalf of, the Board of Directors with respect to the matters addressed by this resolution; and

WHEREAS, the firm of Padgett, Stratemann & Co., LLP, has been engaged to provide an independent audit of the finances of the Central Texas Regional Mobility Authority for the fiscal year ending on June 30, 2015, and has presented that audit to the Audit Committee; and

WHEREAS, the Audit Committee has reviewed the “Letter on Conduct of Audit”, the “Basic Financial Statements” and the “Basic Financial Statements and Federal Awards Compliance Report” prepared by Padgett, Stratemann & Co., LLP, attached respectively as Exhibits 1, 2, and 3 to this resolution, and has heard and considered the presentation on the audit by Padgett, Stratemann & Co., 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, 2015; and

BE IT FURTHER RESOLVED that this resolution constitutes approval by the Audit Committee of the investment reports required by 43 *Texas Administrative Code* Rule §26.61.

Adopted by the Audit Committee of the Board of Directors of the Central Texas Regional Mobility Authority on the 30th day of September, 2015.

Submitted and reviewed by:	Approved:
___________________________	___________________________
Andrew Martin, General Counsel	Ray A. Wilkerson Chairman, Board of Directors

EXHIBIT 1

AUDIT COMMITTEE RESOLUTION 15-___

LETTER ON CONDUCT OF AUDIT

Central Texas
Regional Mobility Authority

Letter on Conduct of Audit

June 30, 2015

PS&Co.

Padgett Stratemann

September 11, 2015

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Dear Members of the Board of Directors:

We are pleased to present this report related to our audit of the basic financial statements of Central Texas Regional Mobility Authority (the "Authority") for the year ended June 30, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Padgett, Stratemann & Co., LLP
Certified Public Accountants

Required Communications

Area	Comments
Our Responsibility Under Auditing Standards Generally Accepted in the United States of America	As communicated in our arrangement letter dated April 20, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities. Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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, as part of our audit, we considered the internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you. As communicated in the arrangement letter dated April 20, 2015, our responsibility, as described in *Government Auditing Standards*, the provisions of the Single Audit Act, and the United States Office of Management and Budget ("OMB") *Circular A-133* and OMB's *Compliance Supplement*, is to report on

Area	Comments
	the presentation of the Schedule of Expenditures of Federal Awards; the tests of internal control related to financial reporting and major federal programs; and the tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, they do not provide a basis for an opinion on the Authority's internal control over financial reporting or on compliance and other matters.
Other Information in Documents Containing Audited Financial Statements	We are not aware of any other documents that contain the audited financial statements. If such documents were to be published, we would have a responsibility to determine such financial information was not materially inconsistent with the audited financial statements of the Authority.
Planned Scope and Timing of the Audit	We conducted our audit consistent with the planned scope and timing we previously communicated to you.
Qualitative Aspects of Significant Accounting Practices	*Significant Accounting Policies* Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2015 other than the required initial adoption of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68.* No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for

Area	Comments
	significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. *Significant Accounting Estimates* Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimate affecting the financial statements is the estimated useful lives of capital assets. Management's estimate is based on information currently available, and the process used to calculate this estimate should be monitored throughout the year. This estimate was reviewed and it was determined it is reasonable in relation to the basic financial statements taken as a whole. *Financial Statement Disclosures* Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to commitments and contingencies, the restatement of net position, and federal grant compliance.
Significant Difficulties Encountered During the Audit	We encountered no difficulties in dealing with management relating to the performance of the audit.

Area	Comments
Uncorrected and Corrected Misstatements	For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those we believe are trivial, and communicate them to the appropriate level of management. We did not note any uncorrected misstatements. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. A summary of the audit adjustments identified by us as a result of our audit procedures is as follows: • To record an increase in net position for the beginning of the year impact of GASB Statement No. 68 adoption of $685,000 • To record 2015 pension expense – $274,000 • To reclassify contributions from Hays and Travis Counties of $13 million • To accrue as a receivable and revenue the TxDOT Highway 290E payments $18 million • To record unearned revenue from TxDOT for MoPac Improvement Project payments of $88 million for which qualifying expenses have not been incurred
Disagreements With Management	For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Area	Comments
Representations Requested From Management	We have requested and received certain written representations from management, which are dated September 11, 2015.
Management's Consultations With Other Accountants	In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.
Other Significant Findings or Issues	In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

EXHIBIT 2

AUDIT COMMITTEE RESOLUTION 15-___

BASIC FINANCIAL STATEMENTS

Central Texas
Regional Mobility Authority

Basic Financial Statements

June 30, 2015

Central Texas Regional Mobility Authority

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Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Texas Regional Mobility Authority (the "Authority"), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed on the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, effective July 1, 2014, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information – Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Indenture Cash Flow and Debt Service Coverage on page 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Padgett, Stratemann + Co., L L P

Austin, Texas
September 11, 2015

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial activities during the fiscal years that ended June 30, 2015 and 2014. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total toll revenue increased from $40.0 million to $53.6 million from 2014 to 2015 or a 34% increase.

- Total operating expenses were approximately $38.0 million and $27.4 million in 2015 and 2014, respectively.

- Total construction in progress was approximately $139.1 million and $70.4 million as of June 30, 2015 and 2014, respectively. Construction in progress increased by approximately $80.9 million from 2014 to 2015 in part due to progress made on the MoPac Improvement Project (the "Project") and decreased by $12.2 million due to the completion of construction contracts and movement of completed construction into property, toll road, and equipment for the Highway 290E Project (also known as the Manor Expressway Project).

- Total restricted cash and cash equivalents increased by $49.3 million from 2014 to 2015. The overall increase in restricted cash and investments was largely due to an increase in grant funds available for the Project, which have been received in advance and are reflected as unearned grant revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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.

Basic Financial Statements. The financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to private-sector business.

The S*tatement of Net Position* presents information on all of the Authority's assets and deferred outflows, as well as the Authority's liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on page 11 of this report.

The S*tatement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Authority's current year operations on its financial position. The Statement of Revenues, Expenses, and Changes in Net Position can be found on page 12 of this report.

The *Statement of Cash Flows* summarizes all of the Authority's cash flows into three categories as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The Statement of Cash Flows can be found on page 13 of this report. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The Authority's ability to generate future cash flows
- The Authority's ability to pay its debt as the debt matures
- Reasons for the difference between the Authority's operating cash flows and operating income
- The impact of the Authority's financial position of cash and non-cash transactions from investing, capital, and financing activities

The *Notes to the Financial Statement* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Financial Statements can be found starting on page 14 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

As noted above, net position may serve over time as a useful indicator of the Authority's financial position. The net position reflects an un-expendable and expendable portion of net position. The Authority's assets and deferred outflows exceeded liabilities by approximately $319 million and $287 million as of June 30, 2015 and 2014, respectively (See Table A-1). As of June 30, 2015, the largest portion of the Authority's net position, 51%, is expendable and reflects proceeds restricted for debt service. The second largest, 38% as of June 30 2015, reflects its investment in capital assets (the Tolling System infrastructure and related assets) net of any outstanding debt used to acquire those assets. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
Condensed Schedule of Net Position
(In Thousands of Dollars)

	2015	2014
Current assets	$ 74,548	$ 10,167
Restricted assets	252,971	269,608
Capital assets	892,639	832,757
Total assets	1,220,158	1,112,532
Deferred outflow of resources	18,080	19,018
Total assets and deferred outflow of resources	$ 1,238,238	$ 1,131,550
Total liabilities	$ 919,162	$ 844,282
Net position:		
Invested in capital assets	122,740	34,606
Restricted for other purposes	164,206	224,107
Unrestricted	32,131	28,555
Total net position	319,077	287,268
Total liabilities and net position	$ 1,238,239	$ 1,131,550

For fiscal year 2015, current and restricted assets increased as a result of the Authority's ongoing construction on the Project. The Authority is expected to receive grant funds in the amount of approximately $187 million to fund the Project. As of June 30, 2015, the Authority has received grant funds in advance and had recorded $88 million of unearned grant revenue of the funding due to Project delays at June 30, 2015.

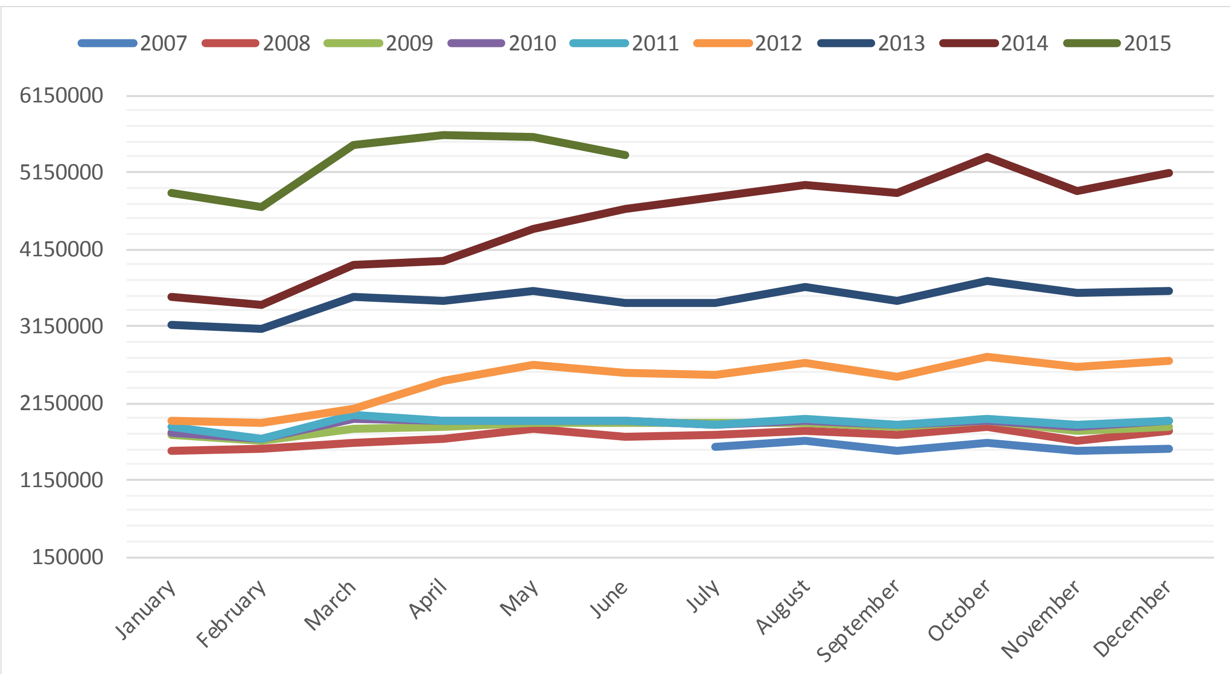
For fiscal year 2015, capital assets increased as a result of the ongoing construction and current period additions of approximately $44 million on the Project.

Changes in Net Position

The operating revenues continue to increase as the level of system transactions increases within the Tolling System (Highway 290E and Highway 183 Toll). The average daily system transactions increased in 2015 from approximately 124 thousand per day to 172 thousand per day or from an annual total of approximately 45 million to 62 million. As noted below, the total monthly system transactions increased in 2015 with the full year operations of Highway 290E commenced in the spring of 2014.

The operating expenses increased by $10.8 million from 2014 to 2015. The majority of the increase is attributable to the increase in the number of tolling transactions which result in additional expenses for image and tag collection fees, which increased from $3.1 million to $4.8 million in 2015 and a full year of depreciation expense on Highway 290E in 2015. The Highway 290E portion of the system was placed in service during fiscal year 2014 and resulted in approximately $8.5 million in additional depreciation during 2015.

Total Monthly System Transactions



The nonoperating expenses (net) increased from $17.6 million in fiscal year 2014 to $41.9 million in fiscal year 2015. The increase is attributed to interest expense due to the completion of major bond funded projects which decreased the capitalizable interest.

The largest contributor to the change in net position in 2015 is the capital grants and contributions. See Table A-2.

Table A-2
Condensed Schedule of Revenue, Expenses, and Changes in Net Position
(In Thousands of Dollars)

	2015	2014
Revenues:		
Toll revenue	$ 53,592	$ 39,968
Grant proceeds and other	2,222	2,907
Total revenues	55,814	42,875
Expenses:		
Administration	14,149	10,345
Professional services	2,754	3,324
Depreciation and amortization	21,233	13,712
Total expenses	38,136	27,381
Operating income	17,678	15,494
Total net nonoperating revenue (expenses)	(41,913)	(17,611)
Change in net position – before capital grants and contributions	(24,235)	(2,117)
Capital grants and contributions	55,357	117,666
Change in net position	31,122	115,549
Total net position at beginning of year – restated	287,954	171,719
Total net position at end of year	$ 319,076	$ 287,268

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015 and 2014, the Authority had invested approximately $139.1 million and $70.4 million, respectively, in construction in progress, including engineering fees and preliminary costs, such as funding, consulting, environmental, legal, and traffic analysis fees. Of the $139.1 million of the construction in progress, the Project made up $92.7 million of the total. See Table A-3.

Table A-3
Capital Assets
(Net of Depreciation, in Thousands of Dollars)

	2015	2014
Property and equipment	$ 11,767	$ 11,174
Toll road	823,229	811,413
Accumulated depreciation	(81,489)	(60,289)
Construction in progress	139,132	70,459
Net capital assets	$ 892,639	$ 832,757

Long-Term Debt

As of June 30, 2015, the Authority had total debt outstanding of approximately $794.8 million. See Table A-4.

On December 05, 2014 Moody's Investors Service ("Moody's") affirms the Baa2 senior lien and Baa3 subordinate lien revenue bond ratings of the Authority. Moody's rating outlook for the Authority is stable.

On October 14, 2014, Standard & Poor's ("Standard & Poor's") Ratings Services raised its long-term and underlying rating (SPUR) to "BBB" from "BBB-" on the Authority's outstanding senior lien revenue bonds. At the same time, Standard & Poor's raised its long-term rating and SPUR to "BBB-" from "BB+" on the Authority's subordinate lien revenue bonds. The outlook on all ratings is stable.

Table A-4
Total Debt
(In Thousands of Dollars)

	2015	2014
Total debt:		
Total bonds	$ 787,833	$ 774,502
Total notes	7,030	8,350
Total debt outstanding	$ 794,863	$ 782,852
Total debt service payments:		
Principal payments	$ 4,794	$ -
Interest payments	39,848	36,140

The total debt obligations include the current portion of the obligations of $6,905,258 and $3,475,000 for 2015 and 2014, respectively.

Additional information on the Authority's long-term debt can be found in Note 4 of this report.

ECONOMIC FACTORS AFFECTING THE FUTURE

System Projects – The Authority entered into an agreement with TxDOT in connection with the development and construction of the proposed US 183 South-Bergstrom Expressway. See Note 12, Subsequent Event, for further information.

Effective September 4, 2015, the Authority executed a note payable in the amount of $75 million in connection with the development and construction of the US 183 South-Bergstrom Expressway. See Note 12, Subsequent Event, for further information.

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, 3300 North IH 35, Suite 300, Austin, 78705.

Central Texas Regional Mobility Authority

Statement of Net Position

June 30, 2015

CURRENT ASSETS		
UNRESTRICTED		
Cash and cash equivalents (note 2)	$	789,662
Investments (note 2)		681,177
Due from other agencies (note 9)		31,889,268
Accrued interest receivable		63,703
Prepaid expenses and other assets		23,130
TOTAL UNRESTRICTED		33,446,940
RESTRICTED		
Cash and cash equivalents (note 2)		41,100,854
TOTAL RESTRICTED		41,100,854
TOTAL CURRENT ASSETS		74,547,794
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents (note 2)		217,166,362
Investments (note 2)		35,330,381
Pension asset (note 8)		474,237
Total restricted assets		252,970,980
Property, toll roads, and equipment – net (note 3)		753,507,193
Construction work in progress (note 3)		139,131,886
Total assets		1,220,157,853
Deferred outflow of resources (note 5 and 8)		18,080,330
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,238,238,183
CURRENT LIABILITIES:		
PAYABLE FROM CURRRENT ASSETS		
Accounts payable	$	406,874
Due to other agencies		593,317
Accrued expenses		337,805
TOTAL PAYABLE FROM CURRENT ASSETS		1,337,996
PAYABLE FROM RESTRICTED ASSETS		
Accounts payable		14,337,815
Accrued interest payable		19,857,781
Bonds and notes payable – current portion		6,905,258
TOTAL PAYABLE FROM RESTRICTED ASSETS		41,100,854
TOTAL CURRENT LIABILITIES		42,438,850
NONCURRENT LIABILITIES		
Unearned revenue		88,765,187
Notes payable – net of current portion (note 4)		5,300,000
Revenue bonds payable – net of current portion (note 4)		782,657,697
TOTAL NONCURRENT LIABILITIES		876,722,884
TOTAL LIABILITIES		919,161,734
NET POSITION		
Investment in capital assets		122,739,839
Restricted		164,205,793
Unrestricted		32,130,817
TOTAL NET POSITION		319,076,449
TOTAL LIABILITIES AND NET POSITION	$	1,238,238,183

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

Operating revenues:	
Tolls	$ 53,591,649
Grant proceeds and other	2,222,384
Total revenues	55,814,033
Operating expenses:	
Salaries and wages	3,058,056
Toll contractual services	4,949,771
Professional services	2,754,282
General and administrative	6,140,700
Depreciation and amortization	21,232,500
Total operating expenses	38,135,309
Operating income	17,678,724
Nonoperating revenues (expenses):	
Interest income – net of interest capitalized (note 2)	403,746
Interest expense	(42,316,763)
Total nonoperating revenue (expenses)	(41,913,017)
Change in net position, before capital grants and contributions	(24,234,293)
Capital grants and contributions	55,356,993
Change in net position	31,122,700
Total net position at beginning of year – as restated (note 11)	287,953,749
Total net position at end of year	$ 319,076,449

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows From Operating Activities	
Receipts from toll fees	$ 54,805,045
Receipts from grants and other income	2,222,384
Payments to vendors	(15,235,177)
Payments to employees	(3,100,566)
Net cash flows provided by operating activities	38,691,686
Cash Flows From Capital and Related Financing Activities	
Payments on interest	(39,848,965)
Payments on bonds	(4,794,562)
Acquisitions of construction in progress	(77,977,200)
Payments on Travis County project	(12,073,766)
Proceeds from grants	102,330,315
Proceeds from contributed capital	13,000,000
Net cash flows used in capital and related financing activities	(19,364,178)
Cash Flows From Investing Activities	
Interest income	454,056
Purchase of investments	(70,698,427)
Proceeds from sale or maturity of investments	100,390,050
Net cash flows provided by investing activities	30,145,679
Net increase in cash and cash equivalents	49,473,187
Cash and cash equivalents at beginning of year	209,583,691
Cash and cash equivalents at end of year	$ 259,056,878
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities	
Operating income	$ 17,678,724
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	21,232,500
Changes in assets and liabilities:	
Decrease in account receivable	1,263,706
Decrease in prepaid expenses and other assets	253,623
Decrease in accounts payable	(1,079,148)
Decrease in accrued expenses	(407,896)
Increase in deferred outflow of resources	(249,823)
Total adjustments	21,012,962
Net cash flows provided by operating activities	$ 38,691,686
Reconciliation of Cash and Cash Equivalents	
Unrestricted cash and cash equivalents	$ 789,662
Restricted cash and cash equivalents:	
Current	41,100,854
Noncurrent	217,166,362
Total	$ 259,056,878

See accompanying notes to the financial statements.

1. Organization and Summary of Significant Accounting Policies

The financial statements of the Central Texas Regional Mobility Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

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

The Authority was formed through the joint efforts of Travis and Williamson Counties (the "Counties"). Their efforts began in September 2002, following the enactment of provisions by the 77th Texas Legislature authorizing the formation of regional mobility authorities ("RMAs"). The petition to form the Authority was filed by the Counties, and the Texas Transportation Commission granted approval for its formation in October 2002. The Counties appointed its initial board of directors in January 2003. Each County appointed three directors, and the Governor appointed the presiding officer. The members are appointed in belief that the composition of the board and the common interest in the region shared by all board members will result in adequate representation of all political subdivisions within the geographic area of the RMA and 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 there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

B. Basis of Accounting – The operations of the Authority are accounted for within a single proprietary (enterprise) fund through which all financial activities are recorded. The measurement focus for an enterprise fund is the flow of economic resources. An enterprise fund follows the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operations are included on the Statements of Net Position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into amounts of net investment in capital assets, amounts restricted for capital activity and debt service, and amounts which are unrestricted. Under the accrual basis of accounting, 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.

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 depository insurance.

Investments are reported at fair value based on quoted prices for fixed income securities and net asset values per share for investment in mutual funds. The net change in fair value of investments is recorded on the Statement of Revenues, Expenses, and Changes in Net Position and includes the unrealized and realized gains and losses on investments.

The Authority's investment practices are governed by State statutes, the Authority's own investment policy and bond indentures, and the Texas Public Funds Investment Act.

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 acquired through contributions, such as those from developers or other governments, are recorded at estimated fair value at the date of donation. Capital assets are defined as assets with initial, individual costs exceeding $500 to $20,000, depending on the 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 – 3-10 years

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

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

The Authority tests for impairment of capital assets when significant unexpected decline in service utility occurs. There were no asset impairments in fiscal year 2015.

F. Grants and Contributions – Revenues from contributions include cash contributions from other governments and right-of-way property that is restricted to meeting the operational or capital requirements of a particular program.

The Authority has entered into several grant agreements with the Texas Department of Transportation ("TxDOT") for construction costs using Highway Planning and Construction federal funding and certain state funding for transportation improvements. During the year ended June 30, 2015, the Authority received approximately $116 million from TxDOT. The Authority does not recognize the recognition of revenue when funds are received in advance of when the amounts are earned. Revenues from federal and state grants are recognized as earned when the related program expenses are incurred and all eligibility requirements have been met. As of June 30, 2015, there was approximately $88 million unearned grant revenue.

During the year ended June 30, 2015, the Authority received grant revenue from contracts funded through federal and state governments. It is possible that at some time in the future these contracts could terminate or funding could be reduced. However, the Authority does not currently expect these contracts will be terminated or funding will be reduced in the near future.

G. 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 Position because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements. When the grant proceeds are restricted for the acquistion of construction of noncurrent assets or are restricted for liquidation of long-term debt, then they are further classified as noncurrent restricted assets. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. 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 a 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.

I. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's participation in the Texas County and District Retirement System ("TCDRS"), an Agent Plan, and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

J. Deferred Outflows of Resources – The Authority has classified as deferred outflows of resources certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then.

K. Bond Premiums, Discounts, and Issuance Costs – The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest using the effective interest method. Bond issuance cost, other than prepaid insurance, is expensed as incurred, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

L. Classification of Operating and Nonoperating Revenue and Expenses – The Authority defines operating revenues and expenses as those revenues and expenses generated by the Authority's Tolling System. It also includes all revenues and expenses not related to capital and related financing; noncapital financing or investing activities. 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, noncapital financing or investing activities. All revenues and expense not meeting this definition are reported as nonoperating revenue and expenses.

M. Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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, and the valuation of investments.

N. Subsequent Events – The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ended June 30, 2015 this date was September 11, 2015.

O. Recent Accounting Pronouncements – GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

The Authority intends to apply GASB Statement No. 72 for fiscal years beginning after June 15, 2015. The statement is not expected to have a material impact on the Authority's financial position, results of operations, or cash flows.

2. Cash and Investments

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, State statutes, and bond indenture provisions by qualifying the broker or financial institution with whom the Authority will transact business, maintaining sufficient collateralization, portfolio diversification, and limiting maturities.

As of June 30, 2015, the Authority had the following investments:

Summary of Investments by Type	
Cash and cash equivalents	$ 259,056,878
TexSTAR Investment Pool	7,300,174
United States government agency securities:	
Federal Home Loan Mortgage Corp.	28,711,384
Total cash and investments	$ 295,068,436
Unrestricted cash and cash equivalents	789,662
Unrestricted investments	681,177
Restricted cash and cash equivalents:	
Current	41,100,854
Noncurrent	217,166,362
Restricted investments	35,330,381
Total cash and cash equivalent and investments – as reported on the Statement of Net Position	$ 295,068,436

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. The Authority has a formal policy specific to custodial credit risk, which requires bank deposit accounts to be collateralized with pledged securities equal to 105% of the carrying value.

There is no limit on the amount the Authority may deposit in any one institution. The Authority was fully collateralized with pledged securities for amounts in excess of the Federal Deposit Insurance Corporation limit for the year ended June 30, 2015.

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: United States 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 United States Treasury or federal agency securities, guaranteed investment contracts ("GICs"), obligations of states and municipalities, Securities and Exchange Commission ("SEC") registered no-load money market mutual funds, and local government investment funds.

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

As of June 30, 2015, the Authority's portfolio consisted of the following:

TexSTAR Investment Pool	20.3%
United States government agency securities	79.7%

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 16 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 12 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, 2015, all of the Authority's investments in debt securities mature within one year.

Local Government Investment Pool – The Texas Short-Term Asset Reserve Fund ("TexSTAR") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. TexSTAR is managed by a 10 member board of trustees who has contracted with JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. to administer the operations of the fund. TexSTAR is rated AAA by Standard & Poor's 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.

Although TexSTAR is not registered with the SEC as an investment company, the Authority believes it operates as a Rule 2a7 like pool, as discussed in GASB Statement No. 59. As such, the Authority uses amortized cost to report its investments.

The Chief Financial Officer of the Authority is the President of TexSTAR. The Authority has investments of $7.3 million in TexSTAR as of June 30, 2015.

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

- Limiting investments to the safest types of securities, as listed above under the Concentration of Credit Risk section

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

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2015.

Property, toll road, and equipment as of June 30, 2015:

	2014	Additions	Disposals	Transfers	2015
Property and equipment	$ 11,174,332	$ 42,724	$ (32,692)	$ 582,890	$ 11,767,254
Toll road					
Building and toll facilities	7,073,225	-	-	-	7,073,225
Highways and bridges	664,681,779	137,935	-	9,551,275	674,370,989
Toll equipment	27,600,560	-	-	99,492	27,700,052
Signs	12,860,829	-	-	140,873	13,001,702
Land improvements	14,044,774	-	-	198,985	14,243,759
Right of way	85,152,005	-	-	1,686,915	86,838,920
Accumulated depreciation	(60,288,900)	(21,232,500)	32,692	-	(81,488,708)
Net property and equipment	$ 762,298,604	$ (21,051,841)	$ -	$ 12,260,430	$ 753,507,193

Construction in progress as of June 30, 2015:

	2014	Additions	Disposals	Transfers	2015
Construction in progress:					
Preliminary costs	$ 67,228,998	$ 74,164,915	$ -	$ (8,878,926)	$ 132,514,987
Engineering	10,249	(10,249)	-	-	-
Construction	1,540,456	4,254,445	-	(2,098,303)	3,696,598
Collection system	1,209,736	2,435,044	-	(1,282,987)	2,361,793
Capitalized interest	469,223	89,499	-	(214)	558,508
Net construction in progress	$ 70,458,662	$ 80,933,654	$ -	$ (12,260,430)	$ 139,131,886

Depreciation expense for the year ended June 30, 2015 totaled $21,232,500.

As of June 30, 2015, the Authority has non-system construction in progress of approximately $92 million relating to the MoPac Improvement Project, which is being funded with grant funds from TxDOT.

4. Notes and Bonds Payable

The following schedule summarizes total notes and bonds payable for the year ended June 30, 2015:

	2014	Additions/ Amortization	Payments	2015	Due within One Year
Draw Down Note	$ 3,049,820	$ -	$ (1,319,562)	$ 1,730,258	$ 1,730,258
American Bank note payable	5,300,000	-	-	5,300,000	-
Total notes	8,349,820	-	(1,319,562)	7,030,258	1,730,258
Series 2010 Obligations	94,879,710	-	(140,000)	94,739,710	-
Series 2010 CAB accretion	13,247,404	3,734,194	-	16,981,598	-
Total 2010 Bonds – net	108,127,114	3,734,194	(140,000)	111,721,308	-
Series 2011 Obligations	375,929,944	-	-	375,929,944	-
Series 2011 CAB accretion	2,050,998	705,232	-	2,756,230	-
Total 2011 Bonds – net	377,980,942	705,232	-	378,686,174	-
Series 2013 Obligations	288,420,000	-	(3,335,000)	285,085,000	5,175,000
Total 2013 Bonds – net	288,420,000	-	(3,335,000)	285,085,000	5,175,000
Net (premium) discount on revenue bonds payable	15,517,745	-	(3,177,530)	12,340,215	-
Total notes and bonds payable – net	$ 798,395,621	$ 4,439,426	$ (7,972,092)	$ 794,862,955	$ 6,905,258

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 Series 2010 Subordinate Lien BABs were refunded and redeemed in whole by the Authority on June 5, 2013.

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

The Series 2010 CIBs are scheduled to mature in 2017 through 2025. Interest on the Series 2010 CIBs is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 5.75%. Interest on the Series 2010 CIBs is payable on each July 1 and January 1, commencing July 1, 2010. As of June 30, 2015, the outstanding principal amount is $59.8 million.

The Series 2010 CABs are scheduled to mature in 2025 through 2040 at an aggregated maturity amount of $176.1 million. The principal amount of $34.9 million of the Series 2010 CABs represents the total amount of outstanding principal before the accreted and compounded interest as of June 30, 2015. As of June 30, 2015, the aggregate maturity amount is $34.9 million plus the accretion of $17 million.

Interest on the Series 2010 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 7.20% to 7.85% 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 amount of accumulated accreted interest on the Series 2010 CABs as of June 30, 2015 is $17 million. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2010.

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) 10% of the aggregate amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued.

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

A portion of the proceeds from the Series 2011 Obligations was used to (i) prepay a State Infrastructure Bank loan in full, (ii) redeem the Authority's 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 were 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 starting in 2026 through 2046. Interest on the Series 2011 CIBs is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 5.75% to 6.25%. Interest on the Series 2011 CIBs is payable on each July 1 and January 1, commencing January 1, 2012. As of June 30, 2015, the outstanding principal amount is $295.9 million.

The Series 2011 CABs are scheduled to mature starting in 2022 through 2026 at an aggregated maturity amount of $22.1 million. The principal amount of $9.9 million for the Series 2011 CABs represents the total amount of outstanding principal before the accreted and compounded interest as of June 30, 2015. As of June 30, 2015, the aggregate maturity amount is $9.9 million plus the accretion of $2.7 million.

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 5.9% to 6.5% 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 amount of accumulated accreted interest on the Series 2011 CABs as of June 30, 2015 is $2.7 million. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2011.

The Series 2011 Subordinate Lien Bonds are scheduled to mature starting in 2023 through 2041. Interest on the Series 2011 Subordinate Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 6.75%. Interest on the Series 2011 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing January 1, 2012. As of June 30, 2015, the outstanding principal amount is $70 million.

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) 10% of the aggregate amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued. The debt service reserve fund for the Series 2011 Subordinate Lien Bonds requires an amount equal to the least of (i) the maximum annual debt service on the Series 2011 Subordinate Lien Bonds, (ii) 1.25 times the average annual debt service on the Series 2011 Subordinate Lien Bonds, or (iii) 10% of the stated principal amount of the Series 2011 Subordinate Lien Bonds.

Series 2013 Obligations – The Authority issued its Series 2013A Senior Lien Revenue Refunding Bonds ("Series 2013A Senior Lien Bonds"), Series 2013B Senior Lien Revenue Refunding Put Bonds ("Series 2013B Senior Lien Put Bonds"), and Series 2013 Subordinate Lien Revenue Refunding Bonds ("Series 2013 Subordinate Lien Bonds"), collectively called the Series 2013 Obligations, on May 16, 2013.

The proceeds from the Series 2013 Obligations were used to (i) refund the Authority's Series 2005 Senior Lien Revenue Bonds, the Authority's 2005 TIFIA Bond, and the Authority's Series 2010 Subordinate Lien BABs, (ii) make a deposit to the Subordinate Lien Debt Service Reserve Fund, and (iii) pay certain issuance costs of the Series 2013 Obligations.

The Series 2013A Senior Lien Bonds were issued as current interest bonds in the aggregate amount of $155.8 million and are scheduled to mature on dates ranging from 2016 through 2043. Interest on the Series 2013A Senior Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at a rate of 5%. Interest on the Series 2013A Senior Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013. As of June 30, 2015, the outstanding principal amount is $152.5 million.

The Series 2013B Senior Lien Put Bonds were issued as current interest bonds in the aggregate amount of $30 million, constitute variable rate obligations under the bond indenture, and are scheduled to mature starting on 2039 through 2045. Through the period that commenced on the issuance date thereof and ends on January 3, 2016 (initial multiannual rate period), the Series 2013B Senior Lien Put Bonds will bear interest at a rate of 3% per annum. Commencing on January 4, 2016, the Bonds are subject to mandatory tender at a purchase price equal to the principal amount thereof plus accrued interest to such purchase date. If, on such date, all Series 2013B Senior Lien Put Bonds are not successfully remarketed, the Authority has no obligation to purchase such Bonds on such date, and all Series 2013B Senior Lien Put Bonds will continue to be outstanding and will bear interest at a rate of 9% per annum until subsequently remarketed. As of June 30, 2015, the outstanding principal amount is $30 million.

Interest on the Series 2013B Senior Lien Put Bonds during the initial multiannual rate period is payable on each July 1 and January 1, commencing July 1, 2013. Pursuant to the terms of the bond indenture, the Series 2013B Senior Lien Put Bonds are subject to conversion to another interest rate mode following the initial multiannual rate period.

The Series 2013 Subordinate Lien Bonds are scheduled to mature in 2016 through 2042. Interest on the Series 2013 Subordinate Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 5%. Interest on the Series 2013 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013. As of June 30, 2015, the outstanding principal amount is $102.5 million.

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

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

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

During fiscal year 2015, the Authority did not receive loan proceeds under the Draw Down Note and made principal and interest payments of $1.3 million. The Draw Down Note has an outstanding balance of $1.7 million as of June 30, 2015.

2013 Note – In June 2013, the Authority entered into a secured loan agreement with a bank for an aggregate principal amount not to exceed $5,300,000 (the "Loan"). The Loan bears interest at 2.25% per annum and matures on January 1, 2019. The Loan requires semiannual interest payments on the outstanding balance starting January 1, 2013. Certain funds of the Authority are collateral for the Loan.

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

The Authority received no loan proceeds during fiscal year 2015 under the Loan. The Loan has an outstanding balance of $5.3 million as of June 30, 2015.

Future Payments on Debt Obligations – Future payments of principal and interest on the Draw Down Note, 2013 Note, Series 2010 Senior Lien Revenue Bonds, Series 2011 Obligations and Series 2013 Obligations (based on the scheduled payments) as of June 30, 2015 are as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 5,175,000	$ 39,715,563	$ -	$ -	$ 1,730,258	$ 149,301
2017	6,315,000	39,673,963	-	-	1,730,000	119,250
2018	8,275,000	39,290,957	-	-	1,765,000	80,325
2019	11,025,000	38,798,388	-	-	1,805,000	40,613
2020	12,800,000	36,941,594	-	-	-	-
2021-2025	78,210,000	179,609,227	12,037,024	16,257,976	-	-
2026-2030	92,670,000	157,173,713	16,708,205	43,636,795	-	-
2031-2035	126,635,000	127,301,688	9,945,013	46,439,988	-	-
2036-2040	170,520,000	86,724,050	6,309,414	46,915,587	-	-
2041-2045	167,510,000	33,861,563	-	-	-	-
2046-2050	31,620,000	1,976,250	-	-	-	-
	$ 710,755,000	$ 781,066,956	$ 44,999,656	$ 153,250,346	$ 7,030,258	$ 389,489

	Total Debt Service	
	Principal	Interest
2016	$ 6,905,258	$ 39,864,864
2017	8,045,000	39,793,213
2018	10,040,000	39,371,282
2019	12,830,000	38,839,001
2020	12,800,000	36,941,594
2021-2025	90,247,024	195,867,203
2026-2030	109,378,205	200,810,508
2031-2035	136,580,013	173,741,676
2036-2040	176,829,414	133,639,637
2041-2045	167,510,000	33,861,563
2046-2050	31,620,000	1,976,250
	$ 762,784,914	$ 934,706,791

A portion of the Series 2010 and 2011 Bonds were sold as Capital Appreciation Bonds ("CABs"). The accreted interest on the CABs is reflected on the Statement of Net Position as additional principal and is reflected in the interest column in this table in the amount of $19,737,828.

5. Deferred Outflow of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Authority has classified all of the difference between the reacquisition price and the net carrying amount of the defeased debt as a deferred outflow of resources. The deferred outflow of resources is amortized over the term of the defeased bonds and recognized as a component of interest expense annually. The Authority has also deferred certain pension related items in accordance with applicable pension standards as noted under Note 8.

As of June 30, 2015, the Authority's deferred outflow of resource balance is composed of the following:

Deferred outflows from bond refunding	$ 17,828,905
Employer pension contribution	144,576
Difference in pension investment assumption	64,600
Experience changes	42,249
	$ 18,080,330

6. 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 United States Treasury. The Authority has not accrued any rebatable arbitrage as of June 30, 2015.

7. 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 2015.

8. Employee Retirement Plan

Plan Description – The Authority participates in TCDRS. TCDRS is a non-profit public trust providing pension, disability, and death benefits for the eligible employees of participating counties and districts. TCDRS 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 TCDRS administration. TCDRS 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.

<u>Benefits Provided</u> – Effective the date of participation, the Authority provides retirement, disability and death benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the Authority at 7% and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7%, compounded annually. At retirement, the employee's account balance is combined with the Authority's matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The Authority adopted a 10 year/Age 60 Retirement Eligibility described in Section 844.207 of the TCDRS Act, under which: (a) any TCDRS member who has 10 or more years of service credit with the District and other subdivisions that have adopted the provisions of Section 844.207 or 844.210, is a vested member and shall have the right to retire and receive a service retirement annuity after attaining age 60, unless the optional 8 year/age 60 Retirement Eligibility and/or Optional Rule 75 Retirement Eligibility is adopted, as allowed by the plan. The Authority has adopted both the Optional 8 year/Age 60 Retirement Eligibility, which allows an 8-year service eligibility requirement for vesting, service, and disability retirement; and Optional Rule 75, which allows the member to have the right to retire and receive service retirement annuity when years of such credited service added to his or her years of attained age equal or exceed 75.

Any TCDRS member who is a vested member may terminate employment with all participating subdivisions prior to attaining age 60, and remain eligible to retire and receive a service retirement annuity after attaining age 60 provided his or her membership is not terminated other than by retirement.

Any TCDRS member who is a vested member under Section 844.207(d) may retire and receive a disability retirement annuity of he or she is certified as disabled, as defined by the plan.

Any TCDRS member who has four or more years of service credit with the District and other subdivisions is eligible for purpose of the Survivor Annuity Death Benefit.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Prior service gives employees monetary credit for time worked for an eligible organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit. In addition, the Authority may choose to adopt a cost-of-living adjustment ("COLA") for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

<u>Employees Covered by Benefit Terms</u> – At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to, but not yet receiving benefits	5
Active employees	19
Total	24

<u>Contributions</u> – 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 2015, the contribution rate for the plan members was 7% of gross pay. The Authority pays a matching portion to the pension plan totaling 14% of gross pay for 2015, which totaled $314,786 for 2015.

<u>Net Pension Liability</u> – The Authority's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<u>Actuarial Assumptions</u> – The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5% including inflation plus average merit of 1.4%
Investment rate of return	8.1%

Mortality rates were based on the following:

Depositing members – RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Service retirees, beneficiaries, and nondepositing members – The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees – RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Long-term rate of return on assets – The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2015 information for a 7-10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	16.5%	5.4%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index **(3)**	12.0%	8.4%
Global Equities	MSCI World (net) Index	1.5%	5.7%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.0%	5.4%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.0%	6.4%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.0%	0.6%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.0%	3.8%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.0%	5.5%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.0%	5.8%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.0%	6.8%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.0%	4.0%
Commodities	Bloomberg Commodities Index	2.0%	-0.2%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.0%	5.3%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index **(4)**	3.0%	7.2%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.0%	5.2%

(1) Target asset allocation adopted at the April 2015 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.7%, per investment consultant's 2015 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount rate – The discount rate used to measure the total pension liability was 8.1%. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

(1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability shall be amortized as a level percent of pay over 20-year closed layered periods.

(2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

(3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

(4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Changes in Net Pension Liability (Asset) – Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the Authority is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB Statement No. 68 purposes. Therefore, the system has used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
Changes in Net Pension Liability/(Asset)	**Total Pension Liability (a)**	**Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (a) - (b)**
Balances as of December 31, 2013	$ 3,418,425	$ 3,946,226	$ (527,801)
Changes for the year:			
Service cost	461,237	-	461,237
Interest on total pension liability (1)	295,209	-	295,209
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	46,943	-	46,943
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(3,345)	3,345
Member contributions	-	163,979	(163,979)
Net investment income	-	261,626	(261,626)
Employer contributions	-	327,807	(327,807)
Other (2)	-	(242)	242
Balances as of December 31, 2014	$ 4,221,814	$ 4,696,051	$ (474,237)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Sensitivity Analysis – The following presents the net pension asset/liability of the Authority, calculated using the discount rate of 8.1%, as well as what the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.1%	**8.1%**	**9.1%**
Total pension liability	$ 4,682,906	$ 4,221,814	$ 3,816,408
Fiduciary net position	4,696,051	4,696,051	4,696,051
Net pension liability (asset)	(13,145)	(474,237)	(879,643)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separate issued TCDRS report.

Pension Expense – the Authority recognized the following pension related expense (income):

Pension Expense/(Income)	January 1, 2014 to December 31, 2014
Service cost	$ 461,237
Interest on total pension liability (1)	295,209
Effect of plan changes	-
Administrative expenses	3,345
Member contributions	(163,979)
Expected investment return net of investment expenses	(342,377)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	4,694
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	16,150
Other (2)	243
Pension expense	$ 274,522

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred Inflows and Outflows of Resources – As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 42,249
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	64,600
Contributions made subsequent to measurement date	NA	144,576

Contributions made subsequent to the measurement date are eligible employer contributions made from January 1, 2015 through June 30, 2015. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31,	
2015	$ 20,485
2016	20,485
2017	20,485
2018	20,485
2019	4,694
Thereafter	20,216
	$ 106,850

The remaining balance to be recognized in future years (and included in the thereafter category), if any, will be impacted by additional future deferred inflows and outflows of resources.

	Schedule of Deferred Inflows and Outflows of Resources					
	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/14 Expenses (1)	Balance of Deferred Inflows 12/31/2014	Balance of Deferred Outflows 12/31/2014
Investment (gains) losses	$ 80,751	12/31/2014	5	$ 16,150	$ -	$ 64,600
Economic/demographic (gains) or losses	46,943	12/31/2014	10	4,694	-	42,249
Assumption changes or inputs	-	12/31/2014	10	-	-	-
Employer contributions made subsequent to measurement date	157,597		-	-	-	144,576

(1) Investment losses are recognized in pension expense over a period of five years; economic/demographic losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

9. Disaggregation of Receivable and Payable Balances

Due from other agencies are comprised of current intergovernmental receivables and amounts due from other Texas tolling authorities related to toll tag transactions on the Authority's toll roads. The Authority does not issue toll tags; however, the Authority has contracted with TxDOT to handle customer service and operations related to the toll tag transactions at June 30, 2015. Accounts payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2015.

As of June 30, 2015, the receivable from TxDOT comprises approximately 94% and the total balance are as follows:

TxDOT	$ 30,151,439
Other agencies	1,737,829
Total	$ 31,889,268

10. Commitments and Contingent Liabilities

Commitments

On May 2014, the Authority entered into a 10-year lease agreement for office space. The aggregate future minimum lease payments under the new lease are as follows:

Year ended December 31,	
2016	$ 323,627
2017	335,395
2018	347,163
2019	358,932
2020	370,700
Thereafter	1,113,407
	$ 2,849,224

The Authority's rental expense for fiscal year 2015 totaled $373,000, which includes common area maintenance and property taxes.

The Authority has a capital improvement program for roadway construction projects extending into future years. As of June 30, 2015, the Authority has a capital budget of approximately $1.095 billion for future toll projects, which may or may not materialize. Excluding the US 183 South-Bergstrom Expressway, which is described in Note 12, the Authority's contractual commitments related to its capital improvement plan are approximately $221 million. The majority of the $221 million is related to the MoPac Improvement Project and is expected to be funded by grant funds to be received by the Authority from TxDOT. All contracts contain a termination for convenience clause in which such contracts may be terminated, in whole or in part, for the convenience of the Authority.

Litigation

As of June 30, 2015, the Authority is involved in various contract disputes on its construction projects. Based on the status of the claims and the information available, the Authority believes that a liability has not been incurred as of the date of the financial statements. The claims are for increased project costs relating to the MoPac Improvement Project and are approximately $70 million. The Authority believes it has substantial defenses against these claims and the resolution of these matters will not have a material adverse effect on its financial statements.

11. Pension Restatement

Effective July 1, 2014, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68.* Upon adoption, net pension liability, deferred inflows and outflows and pension expense will now be reflected on the financial statements in accordance with the guidance provided for within the standards. The implementation resulted in a restatement of the beginning net position in 2015, the year in which the provisions of GASB Statement No. 68 were adopted. The adoption increased net position by $685,398 and includes deferred outflows of resources of approximately $157,000.

Net position at end of year – as previously reported	$ 287,268,351
Implementation of GASB Statement Nos. 68 and 71	685,398
Net position at beginning of year – as restated	$ 287,953,749

12. Subsequent Events

System Projects – The Authority entered into an agreement with TxDOT in connection with the development and construction of the proposed US 183 South-Bergstrom Expressway in Travis County ("183S"). 183S is an 8-mile project to add three tolled lanes and three improved non-tolled frontage road lanes in each direction within the existing US 183 corridor. The Authority has received approval from TxDOT for financial assistance in the approximate amount of $143 million, plus the value of the right-of-way, which is to be transferred from TxDOT to the Authority. The 183S project is expected to be financed with a combination of state and federal grants, revenue bonds, a TIFIA loan, and a TxDOT loan, and has a total estimated cost of $743 million.

Effective September 4, 2015, the Authority executed a note payable with a bank in the amount of $75 million in connection with the development and construction of 183S. The note payable has an interest rate of 0.70% and interest is payable on each January 1 and July 1. In the event the loan is not paid in full by January 1, 2016, the interest rate will be 1.79% commencing on January 1, 2016 and thereafter. The loan requires scheduled principal payments through January 1, 2018. The Authority anticipates prepaying the loan in full with a portion of the proceeds of the revenue bonds to be issued to finance a portion of the costs of 183S. The loan is secured by grant funds to be received by the Authority from TxDOT.

Schedule of Changes in Net Pension Assets and Related Ratios
Year Ended December 31, 2014

Total pension liability:	
Service cost	$ 461,237
Interest on total pension liability	295,209
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	46,943
Benefit payments/refunds of contributions	-
Net change in total pension liability	803,389
Total pension liability at beginning of year	3,418,425
Total pension liability at end of year (a)	4,221,814
Fiduciary net position:	
Employer contributions	327,807
Member contributions	163,979
Investment income net of investment expense	261,626
Benefit payments/refunds of contributions	-
Administrative expenses	(3,345)
Other	(242)
Net change in fiduciary net position	749,825
Fiduciary net position at beginning of year	3,946,226
Fiduciary net position at end of year (b)	4,696,051
Net pension asset at end of year = (a) - (b)	$ (474,237)
Fiduciary net position as a percentage of total pension liability	111.23%
Pensionable covered payroll	$ 2,342,556
Net pension liability (asset) as a percentage of covered payroll	(20.24%)

The Schedule of Changes in Net Pension Assets and related Ratio disclosure is required for 10 years. The schedule noted above is the only year for which the new GASB Statements have been implemented.

Schedule of Employer Contributions

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll*	Actual Contribution as a Percentage of Covered Payroll
2005	Not available	Not available	Not available	Not available	Not available
2006	$ 129,061	$ 129,061	$ -	$ 945,504	13.6%
2007	152,487	152,487	-	1,208,299	12.6%
2008	177,644	177,644	-	1,410,996	12.6%
2009	208,394	224,770	(16,376)	1,605,503	14.0%
2010	212,249	235,472	(23,222)	1,623,942	14.5%
2011	248,565	270,179	(21,614)	1,862,303	14.5%
2012	251,978	286,786	(34,811)	2,048,602	14.0%
2013	261,182	304,447	(43,266)	2,174,701	14.0%
2014	284,621	327,807	(43,187)	2,342,556	14.0%

*Payroll is calculated based on contributions as reported to TCDRS.

Notes to Schedule of Employer Contributions and Net Pension Liability

Actuarial Methods and Assumptions Used

Following are the key assumptions and methods used in these schedules:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual entry age normal cost method, as required by GASB Statement No. 68, used for GASB calculations. A slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Economic Assumptions	
Inflation	3.0%
Salary Increases	3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee
Investment Rate of Return	8.1%
COLAs	COLAs for the Authority are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Demographic Assumptions

Retirement Age

Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25%	25%
45-49	9	9	63	16	16
50	10	10	64	16	16
51	10	10	65	30	30
52	10.5	10.5	66	25	25
53	10.5	10.5	67	24	24
54	10.5	10.5	68	22	22
55	11	11	69	22	22
56	11	11	70	22	22
57	11	11	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	14	14	74 **	22	22

* Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other Terminations of Employment — The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are all set at 0% and the rates do not vary by length of service, entry-age group (age at hire), and sex. No termination after eligibility for retirement is assumed.

Withdrawals — Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in table below. For nondepositing members who are not vested, 100% are assumed to elect a withdrawal.

Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100	16	38
2	100	17	36
3	100	18	34
4	100	19	32
5	60	20	30
6	60	21	28
7	55	22	26
8	50	23	24
9	49	24	22
10	48	25	20
11	47	26	15
12	46	27	10
13	44	28*	5
14	42		

*Members with more than 28 years of service are not assumed to refund.

Central Texas Regional Mobility Authority

Supplemental Information – Indenture Cash Flow and Debt Service Coverage

June 30, 2015

Toll Revenues		$ 53,217,000	
Other Revenues		2,003,729	*
Miscellaneous Revenue		15,959	
Interest income available to pay debt service		403,746	
Total Revenues		55,640,434	
Less System Operating Expenses		(13,006,276)	
Revenues available for rate covenant and additional bonds tests		42,634,158	
Net Senior Lien Debt Service	$ 17,585,762		
Net Subordinate Lien Debt Service	8,716,200		
Total net debt service	26,301,962		
Debt service coverage ratio for rate covenant and additional bonds test			
Senior Lien Obligations	2.42		
Senior and Subordinate Lien Obligations	1.62		
Less System Maintenance Expenses		(1,136,362)	
Revenues available for debt service		41,497,796	
Debt service coverage ratios for Revenues available for debt service			
Senior Lien Obligations	2.36		
Senior and Subordinate Lien Obligations	1.58		
Less total net debt service		(26,301,962)	
Less deposits to Renewal and Replacement Fund		-	
Less debt service payments on Other Obligations		-	
Annual excess		$ 15,195,834	

* The HERO grant revenues are included in “Other Revenues” above as the corresponding expenses are included in “System Operating Expenses” and the amounts net to zero.

EXHIBIT 2

AUDIT COMMITTEE RESOLUTION 15-__

BASIC FINANCIAL STATEMENTS AND FEDERAL AWARDS COMPLIANCE REPORT

Central Texas
Regional Mobility Authority

Basic Financial Statements and
Federal Awards Compliance Report

Year Ended June 30, 2015

Central Texas Regional Mobility Authority

Basic Financial Statements and Federal Awards Compliance Report

Year Ended June 30, 2015

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PS&Co.

Financial Section

PS&Co.

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Independent Auditor's Report

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas Regional Mobility Authority (the "Authority"), which comprise the Statement of Net Position as of June 30, 2015, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

AUSTIN
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, effective July 1, 2014, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Required Supplementary Information – Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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. 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., LLP

Austin, Texas
September 11, 2015

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial activities during the fiscal years that ended June 30, 2015 and 2014. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total toll revenue increased from $40.0 million to $53.6 million from 2014 to 2015 or a 34% increase.

- Total operating expenses were approximately $38.0 million and $27.4 million in 2015 and 2014, respectively.

- Total construction in progress was approximately $139.1 million and $70.4 million as of June 30, 2015 and 2014, respectively. Construction in progress increased by approximately $80.9 million from 2014 to 2015 in part due to progress made on the MoPac Improvement Project (the "Project") and decreased by $12.2 million due to the completion of construction contracts and movement of completed construction into property, toll road, and equipment for the Highway 290E Project (also known as the Manor Expressway Project).

- Total restricted cash and cash equivalents increased by $49.3 million from 2014 to 2015. The overall increase in restricted cash and investments was largely due to an increase in grant funds available for the Project, which have been received in advance and are reflected as unearned grant revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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.

Basic Financial Statements. The financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to private-sector business.

The S*tatement of Net Position* presents information on all of the Authority's assets and deferred outflows, as well as the Authority's liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on page 11 of this report.

The S*tatement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Authority's current year operations on its financial position. The Statement of Revenues, Expenses, and Changes in Net Position can be found on page 12 of this report.

The *Statement of Cash Flows* summarizes all of the Authority's cash flows into three categories as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The Statement of Cash Flows can be found on page 13 of this report. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The Authority's ability to generate future cash flows
- The Authority's ability to pay its debt as the debt matures
- Reasons for the difference between the Authority's operating cash flows and operating income
- The impact of the Authority's financial position of cash and non-cash transactions from investing, capital, and financing activities

The *Notes to the Financial Statement* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Financial Statements can be found starting on page 14 of this report.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Position

As noted above, net position may serve over time as a useful indicator of the Authority's financial position. The net position reflects an un-expendable and expendable portion of net position. The Authority's assets and deferred outflows exceeded liabilities by approximately $319 million and $287 million as of June 30, 2015 and 2014, respectively (See Table A-1). As of June 30, 2015, the largest portion of the Authority's net position, 51%, is expendable and reflects proceeds restricted for debt service. The second largest, 38% as of June 30 2015, reflects its investment in capital assets (the Tolling System infrastructure and related assets) net of any outstanding debt used to acquire those assets. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
Condensed Schedule of Net Position
(In Thousands of Dollars)

	2015	2014
Current assets	$ 74,548	$ 10,167
Restricted assets	252,971	269,608
Capital assets	892,639	832,757
Total assets	1,220,158	1,112,532
Deferred outflow of resources	18,080	19,018
Total assets and deferred outflow of resources	$ 1,238,238	$ 1,131,550
Total liabilities	$ 919,162	$ 844,282
Net position:		
Invested in capital assets	122,740	34,606
Restricted for other purposes	164,206	224,107
Unrestricted	32,131	28,555
Total net position	319,077	287,268
Total liabilities and net position	$ 1,238,239	$ 1,131,550

For fiscal year 2015, current and restricted assets increased as a result of the Authority's ongoing construction on the Project. The Authority is expected to receive grant funds in the amount of approximately $187 million to fund the Project. As of June 30, 2015, the Authority has received grant funds in advance and had recorded $88 million of unearned grant revenue of the funding due to Project delays at June 30, 2015.

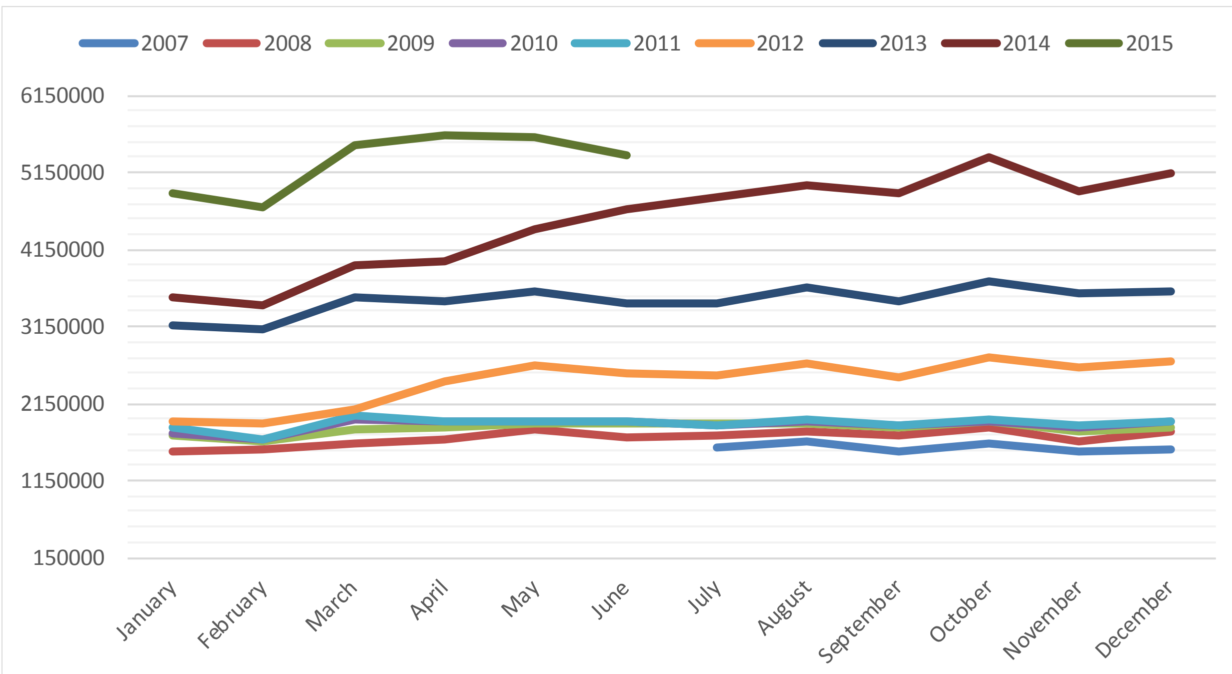
For fiscal year 2015, capital assets increased as a result of the ongoing construction and current period additions of approximately $44 million on the Project.

Changes in Net Position

The operating revenues continue to increase as the level of system transactions increases within the Tolling System (Highway 290E and Highway 183 Toll). The average daily system transactions increased in 2015 from approximately 124 thousand per day to 172 thousand per day or from an annual total of approximately 45 million to 62 million. As noted below, the total monthly system transactions increased in 2015 with the full year operations of Highway 290E commenced in the spring of 2014.

The operating expenses increased by $10.8 million from 2014 to 2015. The majority of the increase is attributable to the increase in the number of tolling transactions which result in additional expenses for image and tag collection fees, which increased from $3.1 million to $4.8 million in 2015 and a full year of depreciation expense on Highway 290E in 2015. The Highway 290E portion of the system was placed in service during fiscal year 2014 and resulted in approximately $8.5 million in additional depreciation during 2015.

Total Monthly System Transactions



The nonoperating expenses (net) increased from $17.6 million in fiscal year 2014 to $41.9 million in fiscal year 2015. The increase is attributed to interest expense due to the completion of major bond funded projects which decreased the capitalizable interest.

The largest contributor to the change in net position in 2015 is the capital grants and contributions. See Table A-2.

Table A-2
Condensed Schedule of Revenue, Expenses, and Changes in Net Position
(In Thousands of Dollars)

	2015	2014
Revenues:		
Toll revenue	$ 53,592	$ 39,968
Grant proceeds and other	2,222	2,907
Total revenues	55,814	42,875
Expenses:		
Administration	14,149	10,345
Professional services	2,754	3,324
Depreciation and amortization	21,233	13,712
Total expenses	38,136	27,381
Operating income	17,678	15,494
Total net nonoperating revenue (expenses)	(41,913)	(17,611)
Change in net position – before capital grants and contributions	(24,235)	(2,117)
Capital grants and contributions	55,357	117,666
Change in net position	31,122	115,549
Total net position at beginning of year – restated	287,954	171,719
Total net position at end of year	$ 319,076	$ 287,268

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015 and 2014, the Authority had invested approximately $139.1 million and $70.4 million, respectively, in construction in progress, including engineering fees and preliminary costs, such as funding, consulting, environmental, legal, and traffic analysis fees. Of the $139.1 million of the construction in progress, the Project made up $92.7 million of the total. See Table A-3.

Table A-3
Capital Assets
(Net of Depreciation, in Thousands of Dollars)

	2015	2014
Property and equipment	$ 11,767	$ 11,174
Toll road	823,229	811,413
Accumulated depreciation	(81,489)	(60,289)
Construction in progress	139,132	70,459
Net capital assets	$ 892,639	$ 832,757

Long-Term Debt

As of June 30, 2015, the Authority had total debt outstanding of approximately $794.8 million. See Table A-4.

On December 05, 2014 Moody's Investors Service ("Moody's") affirms the Baa2 senior lien and Baa3 subordinate lien revenue bond ratings of the Authority. Moody's rating outlook for the Authority is stable.

On October 14, 2014, Standard & Poor's ("Standard & Poor's") Ratings Services raised its long-term and underlying rating (SPUR) to "BBB" from "BBB-" on the Authority's outstanding senior lien revenue bonds. At the same time, Standard & Poor's raised its long-term rating and SPUR to "BBB-" from "BB+" on the Authority's subordinate lien revenue bonds. The outlook on all ratings is stable.

Table A-4
Total Debt
(In Thousands of Dollars)

	2015	2014
Total debt:		
Total bonds	$ 787,833	$ 774,502
Total notes	7,030	8,350
Total debt outstanding	$ 794,863	$ 782,852
Total debt service payments:		
Principal payments	$ 4,794	$ -
Interest payments	39,848	36,140

The total debt obligations include the current portion of the obligations of $6,905,258 and $3,475,000 for 2015 and 2014, respectively.

Additional information on the Authority's long-term debt can be found in Note 4 of this report.

ECONOMIC FACTORS AFFECTING THE FUTURE

System Projects – The Authority entered into an agreement with TxDOT in connection with the development and construction of the proposed US 183 South-Bergstrom Expressway. See Note 12, Subsequent Event, for further information.

Effective September 4, 2015, the Authority executed a note payable in the amount of $75 million in connection with the development and construction of the US 183 South-Bergstrom Expressway. See Note 12, Subsequent Event, for further information.

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, 3300 North IH 35, Suite 300, Austin, 78705.

Basic Financial Statements

Central Texas Regional Mobility Authority

Statement of Net Position

June 30, 2015

CURRENT ASSETS		
UNRESTRICTED		
Cash and cash equivalents (note 2)	$	789,662
Investments (note 2)		681,177
Due from other agencies (note 9)		31,889,268
Accrued interest receivable		63,703
Prepaid expenses and other assets		23,130
TOTAL UNRESTRICTED		33,446,940
RESTRICTED		
Cash and cash equivalents (note 2)		41,100,854
TOTAL RESTRICTED		41,100,854
TOTAL CURRENT ASSETS		74,547,794
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents (note 2)		217,166,362
Investments (note 2)		35,330,381
Pension asset (note 8)		474,237
Total restricted assets		252,970,980
Property, toll roads, and equipment – net (note 3)		753,507,193
Construction work in progress (note 3)		139,131,886
Total assets		1,220,157,853
Deferred outflow of resources (note 5 and 8)		18,080,330
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	1,238,238,183
CURRENT LIABILITIES:		
PAYABLE FROM CURRRENT ASSETS		
Accounts payable	$	406,874
Due to other agencies		593,317
Accrued expenses		337,805
TOTAL PAYABLE FROM CURRENT ASSETS		1,337,996
PAYABLE FROM RESTRICTED ASSETS		
Accounts payable		14,337,815
Accrued interest payable		19,857,781
Bonds and notes payable – current portion		6,905,258
TOTAL PAYABLE FROM RESTRICTED ASSETS		41,100,854
TOTAL CURRENT LIABILITIES		42,438,850
NONCURRENT LIABILITIES		
Unearned revenue		88,765,187
Notes payable – net of current portion (note 4)		5,300,000
Revenue bonds payable – net of current portion (note 4)		782,657,697
TOTAL NONCURRENT LIABILITIES		876,722,884
TOTAL LIABILITIES		919,161,734
NET POSITION		
Investment in capital assets		122,739,839
Restricted		164,205,793
Unrestricted		32,130,817
TOTAL NET POSITION		319,076,449
TOTAL LIABILITIES AND NET POSITION	$	1,238,238,183

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2015

Operating revenues:	
Tolls	$ 53,591,649
Grant proceeds and other	2,222,384
Total revenues	55,814,033
Operating expenses:	
Salaries and wages	3,058,056
Toll contractual services	4,949,771
Professional services	2,754,282
General and administrative	6,140,700
Depreciation and amortization	21,232,500
Total operating expenses	38,135,309
Operating income	17,678,724
Nonoperating revenues (expenses):	
Interest income – net of interest capitalized (note 2)	403,746
Interest expense	(42,316,763)
Total nonoperating revenue (expenses)	(41,913,017)
Change in net position, before capital grants and contributions	(24,234,293)
Capital grants and contributions	55,356,993
Change in net position	31,122,700
Total net position at beginning of year – as restated (note 11)	287,953,749
Total net position at end of year	$ 319,076,449

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows From Operating Activities	
Receipts from toll fees	$ 54,805,045
Receipts from grants and other income	2,222,384
Payments to vendors	(15,235,177)
Payments to employees	(3,100,566)
Net cash flows provided by operating activities	38,691,686
Cash Flows From Capital and Related Financing Activities	
Payments on interest	(39,848,965)
Payments on bonds	(4,794,562)
Acquisitions of construction in progress	(77,977,200)
Payments on Travis County project	(12,073,766)
Proceeds from grants	102,330,315
Proceeds from contributed capital	13,000,000
Net cash flows used in capital and related financing activities	(19,364,178)
Cash Flows From Investing Activities	
Interest income	454,056
Purchase of investments	(70,698,427)
Proceeds from sale or maturity of investments	100,390,050
Net cash flows provided by investing activities	30,145,679
Net increase in cash and cash equivalents	49,473,187
Cash and cash equivalents at beginning of year	209,583,691
Cash and cash equivalents at end of year	$ 259,056,878
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities	
Operating income	$ 17,678,724
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	21,232,500
Changes in assets and liabilities:	
Decrease in account receivable	1,263,706
Decrease in prepaid expenses and other assets	253,623
Decrease in accounts payable	(1,079,148)
Decrease in accrued expenses	(407,896)
Increase in deferred outflow of resources	(249,823)
Total adjustments	21,012,962
Net cash flows provided by operating activities	$ 38,691,686
Reconciliation of Cash and Cash Equivalents	
Unrestricted cash and cash equivalents	$ 789,662
Restricted cash and cash equivalents:	
Current	41,100,854
Noncurrent	217,166,362
Total	$ 259,056,878

See accompanying notes to the financial statements.

1. Organization and Summary of Significant Accounting Policies

The financial statements of the Central Texas Regional Mobility Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

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

The Authority was formed through the joint efforts of Travis and Williamson Counties (the "Counties"). Their efforts began in September 2002, following the enactment of provisions by the 77th Texas Legislature authorizing the formation of regional mobility authorities ("RMAs"). The petition to form the Authority was filed by the Counties, and the Texas Transportation Commission granted approval for its formation in October 2002. The Counties appointed its initial board of directors in January 2003. Each County appointed three directors, and the Governor appointed the presiding officer. The members are appointed in belief that the composition of the board and the common interest in the region shared by all board members will result in adequate representation of all political subdivisions within the geographic area of the RMA and 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 there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

B. Basis of Accounting – The operations of the Authority are accounted for within a single proprietary (enterprise) fund through which all financial activities are recorded. The measurement focus for an enterprise fund is the flow of economic resources. An enterprise fund follows the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operations are included on the Statements of Net Position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into amounts of net investment in capital assets, amounts restricted for capital activity and debt service, and amounts which are unrestricted. Under the accrual basis of accounting, 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.

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 depository insurance.

Investments are reported at fair value based on quoted prices for fixed income securities and net asset values per share for investment in mutual funds. The net change in fair value of investments is recorded on the Statement of Revenues, Expenses, and Changes in Net Position and includes the unrealized and realized gains and losses on investments.

The Authority's investment practices are governed by State statutes, the Authority's own investment policy and bond indentures, and the Texas Public Funds Investment Act.

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 acquired through contributions, such as those from developers or other governments, are recorded at estimated fair value at the date of donation. Capital assets are defined as assets with initial, individual costs exceeding $500 to $20,000, depending on the 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 – 3-10 years

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

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

The Authority tests for impairment of capital assets when significant unexpected decline in service utility occurs. There were no asset impairments in fiscal year 2015.

F. Grants and Contributions – Revenues from contributions include cash contributions from other governments and right-of-way property that is restricted to meeting the operational or capital requirements of a particular program.

The Authority has entered into several grant agreements with the Texas Department of Transportation ("TxDOT") for construction costs using Highway Planning and Construction federal funding and certain state funding for transportation improvements. During the year ended June 30, 2015, the Authority received approximately $116 million from TxDOT. The Authority does not recognize the recognition of revenue when funds are received in advance of when the amounts are earned. Revenues from federal and state grants are recognized as earned when the related program expenses are incurred and all eligibility requirements have been met. As of June 30, 2015, there was approximately $88 million unearned grant revenue.

During the year ended June 30, 2015, the Authority received grant revenue from contracts funded through federal and state governments. It is possible that at some time in the future these contracts could terminate or funding could be reduced. However, the Authority does not currently expect these contracts will be terminated or funding will be reduced in the near future.

G. 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 Position because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements. When the grant proceeds are restricted for the acquistion of construction of noncurrent assets or are restricted for liquidation of long-term debt, then they are further classified as noncurrent restricted assets. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. 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 a 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.

I. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's participation in the Texas County and District Retirement System ("TCDRS"), an Agent Plan, and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

J. Deferred Outflows of Resources – The Authority has classified as deferred outflows of resources certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then.

K. Bond Premiums, Discounts, and Issuance Costs – The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest using the effective interest method. Bond issuance cost, other than prepaid insurance, is expensed as incurred, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

L. Classification of Operating and Nonoperating Revenue and Expenses – The Authority defines operating revenues and expenses as those revenues and expenses generated by the Authority's Tolling System. It also includes all revenues and expenses not related to capital and related financing; noncapital financing or investing activities. 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, noncapital financing or investing activities. All revenues and expense not meeting this definition are reported as nonoperating revenue and expenses.

M. Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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, and the valuation of investments.

N. Subsequent Events – The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ended June 30, 2015 this date was September 11, 2015.

O. Recent Accounting Pronouncements – GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

The Authority intends to apply GASB Statement No. 72 for fiscal years beginning after June 15, 2015. The statement is not expected to have a material impact on the Authority's financial position, results of operations, or cash flows.

2. Cash and Investments

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, State statutes, and bond indenture provisions by qualifying the broker or financial institution with whom the Authority will transact business, maintaining sufficient collateralization, portfolio diversification, and limiting maturities.

As of June 30, 2015, the Authority had the following investments:

Summary of Investments by Type	
Cash and cash equivalents	$ 259,056,878
TexSTAR Investment Pool	7,300,174
United States government agency securities:	
Federal Home Loan Mortgage Corp.	28,711,384
Total cash and investments	$ 295,068,436
Unrestricted cash and cash equivalents	789,662
Unrestricted investments	681,177
Restricted cash and cash equivalents:	
Current	41,100,854
Noncurrent	217,166,362
Restricted investments	35,330,381
Total cash and cash equivalent and investments – as reported on the Statement of Net Position	$ 295,068,436

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. The Authority has a formal policy specific to custodial credit risk, which requires bank deposit accounts to be collateralized with pledged securities equal to 105% of the carrying value.

There is no limit on the amount the Authority may deposit in any one institution. The Authority was fully collateralized with pledged securities for amounts in excess of the Federal Deposit Insurance Corporation limit for the year ended June 30, 2015.

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: United States 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 United States Treasury or federal agency securities, guaranteed investment contracts ("GICs"), obligations of states and municipalities, Securities and Exchange Commission ("SEC") registered no-load money market mutual funds, and local government investment funds.

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

As of June 30, 2015, the Authority's portfolio consisted of the following:

TexSTAR Investment Pool	20.3%
United States government agency securities	79.7%

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 16 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 12 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, 2015, all of the Authority's investments in debt securities mature within one year.

Local Government Investment Pool – The Texas Short-Term Asset Reserve Fund ("TexSTAR") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. TexSTAR is managed by a 10 member board of trustees who has contracted with JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. to administer the operations of the fund. TexSTAR is rated AAA by Standard & Poor's 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.

Although TexSTAR is not registered with the SEC as an investment company, the Authority believes it operates as a Rule 2a7 like pool, as discussed in GASB Statement No. 59. As such, the Authority uses amortized cost to report its investments.

The Chief Financial Officer of the Authority is the President of TexSTAR. The Authority has investments of $7.3 million in TexSTAR as of June 30, 2015.

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

- Limiting investments to the safest types of securities, as listed above under the Concentration of Credit Risk section

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

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2015.

Property, toll road, and equipment as of June 30, 2015:

	2014	Additions	Disposals	Transfers	2015
Property and equipment	$ 11,174,332	$ 42,724	$ (32,692)	$ 582,890	$ 11,767,254
Toll road					
Building and toll facilities	7,073,225	-	-	-	7,073,225
Highways and bridges	664,681,779	137,935	-	9,551,275	674,370,989
Toll equipment	27,600,560	-	-	99,492	27,700,052
Signs	12,860,829	-	-	140,873	13,001,702
Land improvements	14,044,774	-	-	198,985	14,243,759
Right of way	85,152,005	-	-	1,686,915	86,838,920
Accumulated depreciation	(60,288,900)	(21,232,500)	32,692	-	(81,488,708)
Net property and equipment	$ 762,298,604	$ (21,051,841)	$ -	$ 12,260,430	$ 753,507,193

Construction in progress as of June 30, 2015:

	2014	Additions	Disposals	Transfers	2015
Construction in progress:					
Preliminary costs	$ 67,228,998	$ 74,164,915	$ -	$ (8,878,926)	$ 132,514,987
Engineering	10,249	(10,249)	-	-	-
Construction	1,540,456	4,254,445	-	(2,098,303)	3,696,598
Collection system	1,209,736	2,435,044	-	(1,282,987)	2,361,793
Capitalized interest	469,223	89,499	-	(214)	558,508
Net construction in progress	$ 70,458,662	$ 80,933,654	$ -	$ (12,260,430)	$ 139,131,886

Depreciation expense for the year ended June 30, 2015 totaled $21,232,500.

As of June 30, 2015, the Authority has non-system construction in progress of approximately $92 million relating to the MoPac Improvement Project, which is being funded with grant funds from TxDOT.

4. Notes and Bonds Payable

The following schedule summarizes total notes and bonds payable for the year ended June 30, 2015:

	2014	Additions/ Amortization	Payments	2015	Due within One Year
Draw Down Note	$ 3,049,820	$ -	$ (1,319,562)	$ 1,730,258	$ 1,730,258
American Bank note payable	5,300,000	-	-	5,300,000	-
Total notes	8,349,820	-	(1,319,562)	7,030,258	1,730,258
Series 2010 Obligations	94,879,710	-	(140,000)	94,739,710	-
Series 2010 CAB accretion	13,247,404	3,734,194	-	16,981,598	-
Total 2010 Bonds – net	108,127,114	3,734,194	(140,000)	111,721,308	-
Series 2011 Obligations	375,929,944	-	-	375,929,944	-
Series 2011 CAB accretion	2,050,998	705,232	-	2,756,230	-
Total 2011 Bonds – net	377,980,942	705,232	-	378,686,174	-
Series 2013 Obligations	288,420,000	-	(3,335,000)	285,085,000	5,175,000
Total 2013 Bonds – net	288,420,000	-	(3,335,000)	285,085,000	5,175,000
Net (premium) discount on revenue bonds payable	15,517,745	-	(3,177,530)	12,340,215	-
Total notes and bonds payable – net	$ 798,395,621	$ 4,439,426	$ (7,972,092)	$ 794,862,955	$ 6,905,258

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 Series 2010 Subordinate Lien BABs were refunded and redeemed in whole by the Authority on June 5, 2013.

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

The Series 2010 CIBs are scheduled to mature in 2017 through 2025. Interest on the Series 2010 CIBs is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 5.75%. Interest on the Series 2010 CIBs is payable on each July 1 and January 1, commencing July 1, 2010. As of June 30, 2015, the outstanding principal amount is $59.8 million.

The Series 2010 CABs are scheduled to mature in 2025 through 2040 at an aggregated maturity amount of $176.1 million. The principal amount of $34.9 million of the Series 2010 CABs represents the total amount of outstanding principal before the accreted and compounded interest as of June 30, 2015. As of June 30, 2015, the aggregate maturity amount is $34.9 million plus the accretion of $17 million.

Interest on the Series 2010 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 7.20% to 7.85% 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 amount of accumulated accreted interest on the Series 2010 CABs as of June 30, 2015 is $17 million. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2010.

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) 10% of the aggregate amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued.

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

A portion of the proceeds from the Series 2011 Obligations was used to (i) prepay a State Infrastructure Bank loan in full, (ii) redeem the Authority's 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 were 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 starting in 2026 through 2046. Interest on the Series 2011 CIBs is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 5.75% to 6.25%. Interest on the Series 2011 CIBs is payable on each July 1 and January 1, commencing January 1, 2012. As of June 30, 2015, the outstanding principal amount is $295.9 million.

The Series 2011 CABs are scheduled to mature starting in 2022 through 2026 at an aggregated maturity amount of $22.1 million. The principal amount of $9.9 million for the Series 2011 CABs represents the total amount of outstanding principal before the accreted and compounded interest as of June 30, 2015. As of June 30, 2015, the aggregate maturity amount is $9.9 million plus the accretion of $2.7 million.

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 5.9% to 6.5% 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 amount of accumulated accreted interest on the Series 2011 CABs as of June 30, 2015 is $2.7 million. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2011.

The Series 2011 Subordinate Lien Bonds are scheduled to mature starting in 2023 through 2041. Interest on the Series 2011 Subordinate Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 6.75%. Interest on the Series 2011 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing January 1, 2012. As of June 30, 2015, the outstanding principal amount is $70 million.

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) 10% of the aggregate amount of the outstanding senior lien obligations, as determined on the date each series of senior lien obligations is issued. The debt service reserve fund for the Series 2011 Subordinate Lien Bonds requires an amount equal to the least of (i) the maximum annual debt service on the Series 2011 Subordinate Lien Bonds, (ii) 1.25 times the average annual debt service on the Series 2011 Subordinate Lien Bonds, or (iii) 10% of the stated principal amount of the Series 2011 Subordinate Lien Bonds.

Series 2013 Obligations – The Authority issued its Series 2013A Senior Lien Revenue Refunding Bonds ("Series 2013A Senior Lien Bonds"), Series 2013B Senior Lien Revenue Refunding Put Bonds ("Series 2013B Senior Lien Put Bonds"), and Series 2013 Subordinate Lien Revenue Refunding Bonds ("Series 2013 Subordinate Lien Bonds"), collectively called the Series 2013 Obligations, on May 16, 2013.

The proceeds from the Series 2013 Obligations were used to (i) refund the Authority's Series 2005 Senior Lien Revenue Bonds, the Authority's 2005 TIFIA Bond, and the Authority's Series 2010 Subordinate Lien BABs, (ii) make a deposit to the Subordinate Lien Debt Service Reserve Fund, and (iii) pay certain issuance costs of the Series 2013 Obligations.

The Series 2013A Senior Lien Bonds were issued as current interest bonds in the aggregate amount of $155.8 million and are scheduled to mature on dates ranging from 2016 through 2043. Interest on the Series 2013A Senior Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at a rate of 5%. Interest on the Series 2013A Senior Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013. As of June 30, 2015, the outstanding principal amount is $152.5 million.

The Series 2013B Senior Lien Put Bonds were issued as current interest bonds in the aggregate amount of $30 million, constitute variable rate obligations under the bond indenture, and are scheduled to mature starting on 2039 through 2045. Through the period that commenced on the issuance date thereof and ends on January 3, 2016 (initial multiannual rate period), the Series 2013B Senior Lien Put Bonds will bear interest at a rate of 3% per annum. Commencing on January 4, 2016, the Bonds are subject to mandatory tender at a purchase price equal to the principal amount thereof plus accrued interest to such purchase date. If, on such date, all Series 2013B Senior Lien Put Bonds are not successfully remarketed, the Authority has no obligation to purchase such Bonds on such date, and all Series 2013B Senior Lien Put Bonds will continue to be outstanding and will bear interest at a rate of 9% per annum until subsequently remarketed. As of June 30, 2015, the outstanding principal amount is $30 million.

Interest on the Series 2013B Senior Lien Put Bonds during the initial multiannual rate period is payable on each July 1 and January 1, commencing July 1, 2013. Pursuant to the terms of the bond indenture, the Series 2013B Senior Lien Put Bonds are subject to conversion to another interest rate mode following the initial multiannual rate period.

The Series 2013 Subordinate Lien Bonds are scheduled to mature in 2016 through 2042. Interest on the Series 2013 Subordinate Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 5%. Interest on the Series 2013 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013. As of June 30, 2015, the outstanding principal amount is $102.5 million.

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

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

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

During fiscal year 2015, the Authority did not receive loan proceeds under the Draw Down Note and made principal and interest payments of $1.3 million. The Draw Down Note has an outstanding balance of $1.7 million as of June 30, 2015.

2013 Note – In June 2013, the Authority entered into a secured loan agreement with a bank for an aggregate principal amount not to exceed $5,300,000 (the "Loan"). The Loan bears interest at 2.25% per annum and matures on January 1, 2019. The Loan requires semiannual interest payments on the outstanding balance starting January 1, 2013. Certain funds of the Authority are collateral for the Loan.

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

The Authority received no loan proceeds during fiscal year 2015 under the Loan. The Loan has an outstanding balance of $5.3 million as of June 30, 2015.

Future Payments on Debt Obligations – Future payments of principal and interest on the Draw Down Note, 2013 Note, Series 2010 Senior Lien Revenue Bonds, Series 2011 Obligations and Series 2013 Obligations (based on the scheduled payments) as of June 30, 2015 are as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Notes Payable	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2016	$ 5,175,000	$ 39,715,563	$ -	$ -	$ 1,730,258	$ 149,301
2017	6,315,000	39,673,963	-	-	1,730,000	119,250
2018	8,275,000	39,290,957	-	-	1,765,000	80,325
2019	11,025,000	38,798,388	-	-	1,805,000	40,613
2020	12,800,000	36,941,594	-	-	-	-
2021-2025	78,210,000	179,609,227	12,037,024	16,257,976	-	-
2026-2030	92,670,000	157,173,713	16,708,205	43,636,795	-	-
2031-2035	126,635,000	127,301,688	9,945,013	46,439,988	-	-
2036-2040	170,520,000	86,724,050	6,309,414	46,915,587	-	-
2041-2045	167,510,000	33,861,563	-	-	-	-
2046-2050	31,620,000	1,976,250	-	-	-	-
	$ 710,755,000	$ 781,066,956	$ 44,999,656	$ 153,250,346	$ 7,030,258	$ 389,489

	Total Debt Service	
	Principal	**Interest**
2016	$ 6,905,258	$ 39,864,864
2017	8,045,000	39,793,213
2018	10,040,000	39,371,282
2019	12,830,000	38,839,001
2020	12,800,000	36,941,594
2021-2025	90,247,024	195,867,203
2026-2030	109,378,205	200,810,508
2031-2035	136,580,013	173,741,676
2036-2040	176,829,414	133,639,637
2041-2045	167,510,000	33,861,563
2046-2050	31,620,000	1,976,250
	$ 762,784,914	$ 934,706,791

A portion of the Series 2010 and 2011 Bonds were sold as Capital Appreciation Bonds ("CABs"). The accreted interest on the CABs is reflected on the Statement of Net Position as additional principal and is reflected in the interest column in this table in the amount of $19,737,828.

5. Deferred Outflow of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Authority has classified all of the difference between the reacquisition price and the net carrying amount of the defeased debt as a deferred outflow of resources. The deferred outflow of resources is amortized over the term of the defeased bonds and recognized as a component of interest expense annually. The Authority has also deferred certain pension related items in accordance with applicable pension standards as noted under Note 8.

As of June 30, 2015, the Authority's deferred outflow of resource balance is composed of the following:

Deferred outflows from bond refunding	$ 17,828,905
Employer pension contribution	144,576
Difference in pension investment assumption	64,600
Experience changes	42,249
	$ 18,080,330

6. 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 United States Treasury. The Authority has not accrued any rebatable arbitrage as of June 30, 2015.

7. 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 2015.

8. Employee Retirement Plan

Plan Description – The Authority participates in TCDRS. TCDRS is a non-profit public trust providing pension, disability, and death benefits for the eligible employees of participating counties and districts. TCDRS 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 TCDRS administration. TCDRS 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.

Benefits Provided – Effective the date of participation, the Authority provides retirement, disability and death benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the Authority at 7% and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7%, compounded annually. At retirement, the employee's account balance is combined with the Authority's matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The Authority adopted a 10 year/Age 60 Retirement Eligibility described in Section 844.207 of the TCDRS Act, under which: (a) any TCDRS member who has 10 or more years of service credit with the District and other subdivisions that have adopted the provisions of Section 844.207 or 844.210, is a vested member and shall have the right to retire and receive a service retirement annuity after attaining age 60, unless the optional 8 year/age 60 Retirement Eligibility and/or Optional Rule 75 Retirement Eligibility is adopted, as allowed by the plan. The Authority has adopted both the Optional 8 year/Age 60 Retirement Eligibility, which allows an 8-year service eligibility requirement for vesting, service, and disability retirement; and Optional Rule 75, which allows the member to have the right to retire and receive service retirement annuity when years of such credited service added to his or her years of attained age equal or exceed 75.

Any TCDRS member who is a vested member may terminate employment with all participating subdivisions prior to attaining age 60, and remain eligible to retire and receive a service retirement annuity after attaining age 60 provided his or her membership is not terminated other than by retirement.

Any TCDRS member who is a vested member under Section 844.207(d) may retire and receive a disability retirement annuity of he or she is certified as disabled, as defined by the plan.

Any TCDRS member who has four or more years of service credit with the District and other subdivisions is eligible for purpose of the Survivor Annuity Death Benefit.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Prior service gives employees monetary credit for time worked for an eligible organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit. In addition, the Authority may choose to adopt a cost-of-living adjustment ("COLA") for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to, but not yet receiving benefits	5
Active employees	19
Total	24

Contributions – 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 2015, the contribution rate for the plan members was 7% of gross pay. The Authority pays a matching portion to the pension plan totaling 14% of gross pay for 2015, which totaled $314,786 for 2015.

Net Pension Liability – The Authority's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5% including inflation plus average merit of 1.4%
Investment rate of return	8.1%

Mortality rates were based on the following:

Depositing members – RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Service retirees, beneficiaries, and nondepositing members – The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees – RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

Long-term rate of return on assets – The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2015 information for a 7-10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	16.5%	5.4%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index **(3)**	12.0%	8.4%
Global Equities	MSCI World (net) Index	1.5%	5.7%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.0%	5.4%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.0%	6.4%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.0%	0.6%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.0%	3.8%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.0%	5.5%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.0%	5.8%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.0%	6.8%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.0%	4.0%
Commodities	Bloomberg Commodities Index	2.0%	-0.2%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.0%	5.3%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index **(4)**	3.0%	7.2%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.0%	5.2%

(1) Target asset allocation adopted at the April 2015 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.7%, per investment consultant's 2015 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount rate – The discount rate used to measure the total pension liability was 8.1%. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

(1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability shall be amortized as a level percent of pay over 20-year closed layered periods.

(2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

(3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

(4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

<u>Changes in Net Pension Liability (Asset)</u> – Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the Authority is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB Statement No. 68 purposes. Therefore, the system has used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset)

	Increase (Decrease)		
Changes in Net Pension Liability/(Asset)	**Total Pension Liability (a)**	**Fiduciary Net Position (b)**	**Net Pension Liability/(Asset) (a) - (b)**
Balances as of December 31, 2013	$ 3,418,425	$ 3,946,226	$ (527,801)
Changes for the year:			
Service cost	461,237	-	461,237
Interest on total pension liability (1)	295,209	-	295,209
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	46,943	-	46,943
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(3,345)	3,345
Member contributions	-	163,979	(163,979)
Net investment income	-	261,626	(261,626)
Employer contributions	-	327,807	(327,807)
Other (2)	-	(242)	242
Balances as of December 31, 2014	$ 4,221,814	$ 4,696,051	$ (474,237)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Sensitivity Analysis – The following presents the net pension asset/liability of the Authority, calculated using the discount rate of 8.1%, as well as what the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	$ 4,682,906	$ 4,221,814	$ 3,816,408
Fiduciary net position	4,696,051	4,696,051	4,696,051
Net pension liability (asset)	(13,145)	(474,237)	(879,643)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separate issued TCDRS report.

Pension Expense – the Authority recognized the following pension related expense (income):

Pension Expense/(Income)	January 1, 2014 to December 31, 2014
Service cost	$ 461,237
Interest on total pension liability (1)	295,209
Effect of plan changes	-
Administrative expenses	3,345
Member contributions	(163,979)
Expected investment return net of investment expenses	(342,377)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	4,694
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	16,150
Other (2)	243
Pension expense	$ 274,522

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred Inflows and Outflows of Resources – As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ -	$ 42,249
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	64,600
Contributions made subsequent to measurement date	-	144,576

Contributions made subsequent to the measurement date are eligible employer contributions made from January 1, 2015 through June 30, 2015. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31,	
2015	$ 20,485
2016	20,485
2017	20,485
2018	20,485
2019	4,694
Thereafter	20,216
	$ 106,850

The remaining balance to be recognized in future years (and included in the thereafter category), if any, will be impacted by additional future deferred inflows and outflows of resources.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/14 Expenses (1)	Balance of Deferred Inflows 12/31/2014	Balance of Deferred Outflows 12/31/2014
Investment (gains) losses	$ 80,751	12/31/2014	5	$ 16,150	$ -	$ 64,600
Economic/demographic (gains) or losses	46,943	12/31/2014	10	4,694	-	42,249
Assumption changes or inputs	-	12/31/2014	10	-	-	-
Employer contributions made subsequent to measurement date	157,597		-	-	-	144,576

(1) Investment losses are recognized in pension expense over a period of five years; economic/demographic losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

9. Disaggregation of Receivable and Payable Balances

Due from other agencies are comprised of current intergovernmental receivables and amounts due from other Texas tolling authorities related to toll tag transactions on the Authority's toll roads. The Authority does not issue toll tags; however, the Authority has contracted with TxDOT to handle customer service and operations related to the toll tag transactions at June 30, 2015. Accounts payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2015.

As of June 30, 2015, the receivable from TxDOT comprises approximately 94% and the total balance are as follows:

TxDOT	$ 30,151,439
Other agencies	1,737,829
Total	$ 31,889,268

10. Commitments and Contingent Liabilities

Commitments

On May 2014, the Authority entered into a 10-year lease agreement for office space. The aggregate future minimum lease payments under the new lease are as follows:

Year ended December 31,	
2016	$ 323,627
2017	335,395
2018	347,163
2019	358,932
2020	370,700
Thereafter	1,113,407
	$ 2,849,224

The Authority's rental expense for fiscal year 2015 totaled $373,000, which includes common area maintenance and property taxes.

The Authority has a capital improvement program for roadway construction projects extending into future years. As of June 30, 2015, the Authority has a capital budget of approximately $1.095 billion for future toll projects, which may or may not materialize. Excluding the US 183 South-Bergstrom Expressway, which is described in Note 12, the Authority's contractual commitments related to its capital improvement plan are approximately $221 million. The majority of the $221 million is related to the MoPac Improvement Project and is expected to be funded by grant funds to be received by the Authority from TxDOT. All contracts contain a termination for convenience clause in which such contracts may be terminated, in whole or in part, for the convenience of the Authority.

Litigation

As of June 30, 2015, the Authority is involved in various contract disputes on its construction projects. Based on the status of the claims and the information available, the Authority believes that a liability has not been incurred as of the date of the financial statements. The claims are for increased project costs relating to the MoPac Improvement Project and are approximately $70 million. The Authority believes it has substantial defenses against these claims and the resolution of these matters will not have a material adverse effect on its financial statements.

11. Pension Restatement

Effective July 1, 2014, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68.* Upon adoption, net pension liability, deferred inflows and outflows and pension expense will now be reflected on the financial statements in accordance with the guidance provided for within the standards. The implementation resulted in a restatement of the beginning net position in 2015, the year in which the provisions of GASB Statement No. 68 were adopted. The adoption increased net position by $685,398 and includes deferred outflows of resources of approximately $157,000.

Net position at end of year – as previously reported	$ 287,268,351
Implementation of GASB Statement Nos. 68 and 71	685,398
Net position at beginning of year – as restated	$ 287,953,749

12. Subsequent Events

System Projects – The Authority entered into an agreement with TxDOT in connection with the development and construction of the proposed US 183 South-Bergstrom Expressway in Travis County (“183S”). 183S is an 8-mile project to add three tolled lanes and three improved non-tolled frontage road lanes in each direction within the existing US 183 corridor. The Authority has received approval from TxDOT for financial assistance in the approximate amount of $143 million, plus the value of the right-of-way, which is to be transferred from TxDOT to the Authority. The 183S project is expected to be financed with a combination of state and federal grants, revenue bonds, a TIFIA loan, and a TxDOT loan, and has a total estimated cost of $743 million.

Effective September 4, 2015, the Authority executed a note payable with a bank in the amount of $75 million in connection with the development and construction of 183S. The note payable has an interest rate of 0.70% and interest is payable on each January 1 and July 1. In the event the loan is not paid in full by January 1, 2016, the interest rate will be 1.79% commencing on January 1, 2016 and thereafter. The loan requires scheduled principal payments through January 1, 2018. The Authority anticipates prepaying the loan in full with a portion of the proceeds of the revenue bonds to be issued to finance a portion of the costs of 183S. The loan is secured by grant funds to be received by the Authority from TxDOT.

Schedule of Changes in Net Pension Assets and Related Ratios
Year Ended December 31, 2014

Total pension liability:	
Service cost	$ 461,237
Interest on total pension liability	295,209
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	46,943
Benefit payments/refunds of contributions	-
Net change in total pension liability	803,389
Total pension liability at beginning of year	3,418,425
Total pension liability at end of year (a)	4,221,814
Fiduciary net position:	
Employer contributions	327,807
Member contributions	163,979
Investment income net of investment expense	261,626
Benefit payments/refunds of contributions	-
Administrative expenses	(3,345)
Other	(242)
Net change in fiduciary net position	749,825
Fiduciary net position at beginning of year	3,946,226
Fiduciary net position at end of year (b)	4,696,051
Net pension asset at end of year = (a) - (b)	$ (474,237)
Fiduciary net position as a percentage of total pension liability	111.23%
Pensionable covered payroll	$ 2,342,556
Net pension liability (asset) as a percentage of covered payroll	(20.24%)

The Schedule of Changes in Net Pension Assets and related Ratio disclosure is required for 10 years. The schedule noted above is the only year for which the new GASB Statements have been implemented.

Schedule of Employer Contributions

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll*	Actual Contribution as a Percentage of Covered Payroll
2005	Not available	Not available	Not available	Not available	Not available
2006	$ 129,061	$ 129,061	$ -	$ 945,504	13.6%
2007	152,487	152,487	-	1,208,299	12.6%
2008	177,644	177,644	-	1,410,996	12.6%
2009	208,394	224,770	(16,376)	1,605,503	14.0%
2010	212,249	235,472	(23,222)	1,623,942	14.5%
2011	248,565	270,179	(21,614)	1,862,303	14.5%
2012	251,978	286,786	(34,811)	2,048,602	14.0%
2013	261,182	304,447	(43,266)	2,174,701	14.0%
2014	284,621	327,807	(43,187)	2,342,556	14.0%

*Payroll is calculated based on contributions as reported to TCDRS.

Notes to Schedule of Employer Contributions and Net Pension Liability

Actuarial Methods and Assumptions Used

Following are the key assumptions and methods used in these schedules:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual entry age normal cost method, as required by GASB Statement No. 68, used for GASB calculations. A slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Economic Assumptions	
Inflation	3.0%
Salary Increases	3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee
Investment Rate of Return	8.1%
COLAs	COLAs for the Authority are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Demographic Assumptions

Retirement Age

Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25%	25%
45-49	9	9	63	16	16
50	10	10	64	16	16
51	10	10	65	30	30
52	10.5	10.5	66	25	25
53	10.5	10.5	67	24	24
54	10.5	10.5	68	22	22
55	11	11	69	22	22
56	11	11	70	22	22
57	11	11	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	14	14	74 **	22	22

* Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

<u>Other Terminations of Employment</u> — The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are all set at 0% and the rates do not vary by length of service, entry-age group (age at hire), and sex. No termination after eligibility for retirement is assumed.

Withdrawals — Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in table below. For nondepositing members who are not vested, 100% are assumed to elect a withdrawal.

Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100	16	38
2	100	17	36
3	100	18	34
4	100	19	32
5	60	20	30
6	60	21	28
7	55	22	26
8	50	23	24
9	49	24	22
10	48	25	20
11	47	26	15
12	46	27	10
13	44	28*	5
14	42		

*Members with more than 28 years of service are not assumed to refund.

Federal Awards Section

PS&Co.

Padgett Stratemann

Independent Auditor's 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
Austin, Texas

We have audited, 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, the financial statements of Central Texas Regional Mobility Authority (the "Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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, grant agreements, and the Public Funds Investment Act, 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Padgett, Stratemann & Co., L L P

Austin, Texas
September 11, 2015

Independent Auditor's Report on Compliance For the Major Federal Program and on Internal Control Over Compliance as Required by *OMB Circular A-133*

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on Compliance for a Major Federal Program

We have audited Central Texas Regional Mobility Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2015. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, 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 that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Padgett, Stratemann + Co., L L P

Austin, Texas
September 11, 2015

Central Texas Regional Mobility Authority

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

2. Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	X None Reported
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	$ 1,490,978	
Auditee qualified as low-risk auditee?	X Yes	___ No

B. Financial Statement Findings

None reported

C. Federal Award Finding and Questioned Costs

None reported

Central Texas Regional Mobility Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Program Title	Federal CFDA Number	Grant Award Number	Federal Expenditures
Highway Planning and Construction Cluster			
United States Department of Transportation:			
Highway Planning and Construction	20.205	CSJ 3136-01-107	$ 35,064,444
Highway Planning and Construction	20.205	CSJ 0151-05-100; 0151-05-101; 0151-05-102	2,506,068
Highway Planning and Construction	20.205	CSJ 0151-09-036; 0151-09-127; 0265-01-080; 0151-09-130	9,545,383
Highway Planning and Construction	20.205	CSJ 0700-03-077; 0113-08-060	447,628
Highway Planning and Construction	20.205	CSJ 0914-00-358; 0914-00-361	1,305,288
Highway Planning and Construction	20.205	CSJ 0265-01-110	424,398
Total Highway Planning and Construction Cluster			49,293,209
Highway Research and Development	20.200	CSJ 0914-00-373	299,814
Highway Research and Development	20.200	CSJ 0914-00-348	106,258
Total Highway Planning and Construction Cluster			406,072
Total Federal Expenditures			$ 49,699,281

See accompanying notes to the Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of all federal 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. Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Authority.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with the OMB Circular 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.