AUDIT COMMITTEE AGENDA ITEM SUMMARY

Central Texas Regional Mobility Authority

Committee Agenda Item C

Accept the Independent Audit Reports by PMB Helin Donovan, LLP, for the Fiscal Year Ending June 30, 2014.

Department:	Finance
Associated Costs:	None
Funding Source:	None
Committee Action Required:	YES (under Committee Agenda Item C)

Description of Matter:

Each year the Mobility Authority engages an independent CPA firm to conduct the Authority's required annual audit and single audit. PMB Helin Donovan has completed the annual audit for FY 2014 and will present those reports to the Audit Committee.

The draft resolution accepts the annual audit for FY2014.

Attached documentation for reference:

Draft Resolution to accept FY 2014 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).

Contact for further information:

Bill Chapman, Chief Financial Officer

Cindy Demers, Controller

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

RESOLUTION NO. 14-???

ACCEPT THE INDEPENDENT AUDIT REPORTS BY PMB HELIN DONOVAN, LLP, FOR THE FISCAL YEAR ENDING JUNE 30, 2014.

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 PMB Helin Donovan, 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, 2014, and has presented that audit to the Audit Committee; and

WHEREAS, the Audit Committee has reviewed the “Single Audit Report” and the “Financial Statements, Supplemental Schedule, and Management Discussion and Analysis” prepared by PMB Helin Donovan, LLP, attached respectively as Exhibits 1 and 2 to this Resolution, and has heard and considered the presentation on the audit by PMB Helin Donovan, LLP.

NOW THEREFORE, BE IT RESOLVED, that the Audit Committee accepts the attached independent audits of the Central Texas Regional Mobility Authority for the fiscal year ending on June 30, 2014; 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 29th day of October, 2014.

Submitted and reviewed by:	Approved:
______________________________	______________________________
Andrew Martin, General Counsel Central Texas Regional Mobility Authority	Robert Bennett, Chairman, Audit Committee Central Texas Regional Mobility Authority Audit Committee Resolution: 14-??? Date Passed: 10/29/14

<u>**EXHIBIT 1 TO**</u>

<u>**AUDIT COMMITTEE RESOLUTION 14-???**</u>

<u>**SINGLE AUDIT REPORT**</u>

Central Texas Regional Mobility Authority

Single Audit Report
For the Year Ended June 30, 2014

PMB Helin Donovan
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Central Texas Regional Mobility Authority:

We have audited, in accordance with the 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"), which comprise the statement of net assets, the related statements of revenues, expenses and changes in net assets and cash flows, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 21, 2014.

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

DRAFT

October 21, 2014

Independent Auditors' Report on Compliance for Each Major Program
Report on Internal Control over Compliance Required By OMB
Circular A-133 and Schedule of Expenditures of Federal-Awards

To the Board of Directors
Central Texas Regional Mobility Authority:

Report on Compliance for Each Major Federal Program

We have audited Central Texas Regional Mobility Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended June 30, 2014. Authority's major federal programs are 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 grants applicable to its federal programs.

Auditors Responsibility

Our responsibility is to express an opinion on compliance for each of Authority's major federal programs 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 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 each major federal program. However, our audit does not provide a legal determination of Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Report on Internal Control over Compliance

Management of 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority, which comprise the statement of net assets, the related statements of revenues, expenses and changes in net assets and cash flows, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 21, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic 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 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.

Purpose of this Report

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.

PMB HELIN DONOVAN, LLP

DRAFT

October 21, 2014
Austin, Texas

Central Texas Regional Mobility Authority
Schedule of Expenditures of Federal Awards
June 30, 2014

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA	Grant Award Number	Federal Expenditures
Highway Planning and Construction Cluster			
U.S. Department of Transportation			
Pass Through from Texas Department of Transportation			
Highway Planning and Construction	20.205	CSJ 0114-02-053	$ 71,318,645
Highway Planning and Construction	20.205	CSJ 3136-01-107	37,912,724
Highway Planning and Construction	20.205	CSJ 0914-00-348	178,391
Highway Planning and Construction	20.205	CSJ 3136-01-015	832,762
Highway Planning and Construction	20.205	CSJ 3136-01-176	2,655,430
Highway Planning and Construction	20.205	CSJ 0151-05-100; 0151-05-101; 0151-05-102	2,131,354
Highway Planning and Construction	20.205	CSJ 0151-09-036; 0151-09-127; 0265-01-080; 0151-09-130; 0151-09-036	3,599,716
Highway Planning and Construction	20.205	CSJ 0700-03-077; 0113-08-060	352,976
Highway Planning and Construction	20.205	CSJ 0914-00-358; 0914-00-361	1,359,282
Highway Research and Development	20.200	CSJ 0914-00-373	379,714
Total Federal Expenditures			$ 120,720,994

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 loan programs administered by Central Texas Regional Mobility Authority (the "Authority"). The Authority's organization is defined in Note 1 of the Authority's basic financial statements.

(b) Basis of Presentation

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

(c) Basis of Accounting

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

(2) Relationship to Federal Financial Reports

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

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

A Financial Statements

Type of auditors' report issued:	**Unqualified opinion**
Internal control over financial reporting:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Noncompliance material to financial statements noted?	**No**

B. Federal Awards

Internal control over compliance:	
• Material weakness(es) identified?	**No**
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	**None reported**
Type of auditors' report issued on compliance for major programs:	**Unqualified**
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	**No**

Identification of major federal programs:

CFDA Number	**Name of Federal Program or Cluster**
Cluster	Highway Planning and Construction Cluster

Dollar threshold used to distinguish programs:	**$3,651,266**
Auditee qualified as low-risk auditee:	**Yes**

Section II - Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Summary Schedule of Prior Audit Findings

None reported

EXHIBIT 2 TO

AUDIT COMMITTEE RESOLUTION 14-???

FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULE, AND MANAGEMENT DISCUSSION AND ANALYSIS

Central Texas Regional Mobility Authority

Financial Statements, Supplemental Schedule, and Management Discussion and Analysis

As of and for the Years Ended June 30, 2014 and 2013

PMB Helin Donovan
CERTIFIED PUBLIC ACCOUNTANTS

Central Texas Regional Mobility Authority

Financial Statements, Supplemental Schedule, and
Management Discussion and Analysis
June 30, 2014 and 2013

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

FINANCIAL HIGHLIGHTS

- The Authority restated its 2012 financial statements to be in compliance with the recent accounting pronouncement of Governmental Accounting Standards Board ("GASB") Statement No. 65, "Items Previously Reported as Assets and Liabilities".
- GASB Statement No. 65 established updated guidance for debt issuance costs and indicated that debt issuance costs, except any portion related to prepaid insurance costs, are required be recognized as an expense in the period incurred. This lead to a $10 million adjustment to the Authority's 2012 asset and net asset balance.
- The Authority issued Series 2013A Senior Lien Revenue Refunding Bonds, Series 2013B Senior lien Revenue Refunding Put Bonds, and Series 2013 Subordinate Lien Revenue Refunding Bonds, collectively called the Series 2013 Obligations, on May 16, 2013.
- The 2013 Obligations were used to refund the Series 2005 Senior Lien Revenue Bonds, the 2005 TIFIA Bond and the Series 2010 Subordinate Lien BABs.
- The remaining Bonds payable balances are related to the Series 2010, 2011, and 2013 Obligations and have a combined outstanding balance of $774.5 million as of June 30, 2014.
- Total construction in progress was approximately $70.4 million, and $301.7 million as of June 30, 2014 and, 2013 respectively. Construction in progress decreased by $231.2 million from 2013 to 2014 in part due to completion of construction contracts and movement of completed construction into property, toll road and equipment.
- Total Investments decreased by $54.8 million from 2013 to 2014. Restricted investments decreased by $51.5 million and unrestricted investments decreased by $3.2 million. The overall decrease in investments was largely due to a reduction in the U.S. Government Agency Securities and the TexSTAR Investment Pool as well as, the use of funds for ongoing construction projects.
- Total operating expenses were approximately $27.3 million and $24.8 million in 2014 and 2013, respectively.

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 supplemental schedule.

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

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Net Assets

The Authority's total net assets were approximately $287 million, $172 million, and $94 million, as of June 30, 2014, 2013, and 2012, respectively (See Table A-1). In 2014, total assets increased 13.3% to $1,131.5 million and total liabilities increased 2.14% to $844.2 million resulting in an increase of 67.3% in total net assets. The increase in total net assets of $115.5 million is the result of 2014 operating income of $111 million and contributed capital of $4.5 million.

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

	2014	2013	2012 as restated
Current assets	$ 10,167	$ 37,096	$ 19,025
Restricted assets	269,608	237,413	307,840
Capital assets	846,633	718,495	577,833
Bond issuance cost	5,142	5,338	4,842
Total assets	$ 1,131,550	$ 998,342	$ 909,540
Total liabilities	$ 844,282	$ 826,623	$ 815,480
Net assets:			
Invested in capital assets	34,606	(93,591)	19,871
Restricted for other purposes	224,107	213,310	68,669
Unrestricted	28,555	52,000	5,520
Total net assets	287,268	171,719	94,060
Total liabilities and net assets	$ 1,131,550	$ 998,342	$ 909,540

Changes in Net Assets

Changes in net assets as of June 30, 2014 and 2013 were approximately $111 million and $77.6 million, respectively. Total net assets increased from 2013 and 2012 by 67.29% and 82.56%, respectively. The Authority's total revenues for the year ended June 30, 2014 were $156 million, an increase of 25% from 2013, and total expenses were $44.9 million. See Table A-2.

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

	2014	**2013**	**2012 as restated**
Revenues:			
Toll revenue	$39,968	$32,160	$23,604
Grants and contributions	113,154	92,205	28,424
Other revenue	2,907	456	210
Total revenues	156,029	124,821	52,238
Expenses:			
Administration	41,668	44,124	36,174
Professional services	3,324	3,036	2,256
Total expenses	44,992	47,160	38,430
Change in net assets	111,037	77,659	13,808
Total net assets, beginning of the year	171,719	94,060	80,252
Contributed capital	4,512	-	-
Total net assets, end of the year	$287,268	$171,719	$94,060

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, 2013 and 2012 the Authority had invested approximately $70.4 million, $301.7 million, and $364.9 million, respectively, in construction-in-progress, including engineering fees and preliminary costs such as funding, consulting, environmental, legal, and traffic analysis fees. See Table A-3.

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

	2014	**2013**	**2012 as restated**
Property and equipment	$ 11,174	$ 9,712	$ 9,726
Toll Road	811,413	439,807	241,474
Accumulated depreciation	(60,289)	(47,648)	(38,220)
Construction work in progress	70,459	301,720	364,853
Net capital assets	$832,757	$703,591	$577,833

Long-Term Debt

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

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

The Series 2005 CIBs and Series 2005 Convertible CABs were refunded and defeased in whole by the Authority on May 16, 2013 with portion of the proceeds of the Series 2013A Senior Lien Revenue Refunding Bonds and the Series 2013B Senior Lien Revenue Refunding Put Bonds, and other lawfully available funds of the Authority.

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

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

The 2005 TIFIA Bond was refunded and prepaid in whole by the Authority on June 5, 2013 with a portion of the proceeds of the Series 2013A Senior Lien Revenue Refunding Bonds and the Series 2013 Subordinate Lien Revenue Refunding Bonds, issued by the Authority on May 16, 2013, and other lawfully available funds of the Authority.

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

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

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

The Series 2010 Subordinate Lien BABs were refunded and redeemed in whole by the Authority on June 5, 2013 with a portion of the proceeds of the Series 2013 Subordinate Lien Revenue Refunding Bonds issued by the Authority on May 16, 2013, and other lawfully available funds of the Authority.

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

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

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

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

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 Series 2005 Senior Lien Revenue Bonds, the 2005 TIFIA Bond, and the 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.

On June 27, 2013, the Authority entered into a Secured Loan Agreement with a Bank (2013 Note) for an aggregate principal amount not to exceed $5,300,000 (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. 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 of the Mopac project and other expenses relating to the preparation of financing of the transportation projects incurred prior to the execution of the Loan.

As of June 30, 2014, the Authority had total debt outstanding of approximately $783 million. See Table A-4.

Table A-4
Total Debt
(in thousands of dollars)

	2014	2013	2012 as restated
Bonds:			
Capital Appreciation Bonds	$ 98,141	$ 100,423	$ 61,332
Current Interest Bonds	676,361	678,373	619,791
TIFIA Bond	-	-	77,656
Total bonds	774,502	778,796	758,779
Other debt:			
2013 Note	5,300	5,300	-
Draw Down Note	3,050	1,975	400
Total other debt	8,350	7,275	400
Net Debt Outstanding	$ 782,852	$ 786,071	$ 759,179

The total debt obligations include current portion of the obligations of $3,475,000, $1,350,000 and $2,870,000 for 2014, 2013 and 2012 respectively.

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 N. IH 35, Suite 300, Austin, 78705.

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Members of the Central Texas Regional Mobility Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas Regional Mobility Authority (the "Authority"), which comprise the statements of net assets as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 entity'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 entity'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 Central Texas Regional Mobility Authority as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PMB Helin Donovan
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion on pages 1 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Indenture Cash Flow and Debt Service Coverage on page 33 is presented for purposes of additional analysis and is not a required part of the 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.

PMB Helin Donovan, LLP

DRAFT

Austin, TX
October 21, 2014

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Statements of Net Assets

June 30, 2014 and 2013

	2014	2013
Assets:		
Current assets:		
Cash and cash equivalents (note 2)	$ 618,907	$ 827,616
Investments (note 2)	5,060,036	8,345,711
Due from other agencies (note 12)	4,310,799	27,654,822
Accrued interest receivable	114,013	216,923
Prepaid expenses and other assets	63,245	50,878
Total current assets	10,167,000	37,095,950
Restricted assets:		
Cash and cash equivalents (note 2)	208,964,784	125,217,295
Investments (note 2)	60,643,144	112,195,570
Total restricted assets	269,607,928	237,412,865
Property, toll roads and equipment, net (note 3)	762,298,603	401,870,275
Construction work in progress (note 3)	70,458,662	301,720,870
Deferred inflow of resources (note 6)	13,875,826	14,903,935
Bond issuance costs, net	5,141,990	5,337,706
Total assets	$ 1,131,550,009	$ 998,341,601
Liabilities:		
Current liabilities:		
Accounts payable	$ 25,477,979	$ 12,219,671
Accrued interest payable	19,924,481	16,489,704
Due to other agencies	462,291	465,504
Accrued expenses	266,028	265,875
Bonds payable - 2013 Series - current portion	3,475,000	1,350,000
Total current liabilities	49,605,779	30,790,754
Noncurrent liabilities:		
Draw Down Note (note 4)	3,049,820	1,974,569
Bonds payable - 2010 Series (note 4)	94,832,879	95,011,738
Bonds payable - 2011 Series (note 4)	370,465,676	370,226,319
Bonds payable - 2013 Series (note 4)	305,729,101	312,208,620
2013 Note (note 4)	5,300,000	5,300,000
Total long term debt	779,377,476	784,721,246
Accumulated accretion on capital appreciation bonds (note 4)	15,298,403	11,110,405
Total liabilities	844,281,658	826,622,405
Net assets:		
Invested in capital assets, net of related debt	34,606,386	(93,590,506)
Restricted for other purposes	224,106,925	213,309,817
Unrestricted	28,555,040	51,999,885
Total net assets	287,268,351	171,719,196
Total liabilities and net assets	$ 1,131,550,009	$ 998,341,601

See accompanying notes to financial statements

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY
Statements of Revenues, Expenses, and Changes in Net Asset
For the years ended June 30, 2014 and 2013

	2014	2013
Operating Revenues		
Tolls	$ 39,968,131	$ 32,159,157
Grants and contributions	113,154,143	92,205,336
Other	2,907,434	455,792
Total revenues	156,029,708	124,820,285
Operating expenses		
Salaries and wages	2,585,895	2,451,766
Other contractual services	4,532,919	3,495,639
Professional services	3,324,284	3,036,187
General and administrative	16,938,360	15,834,659
Total operating expenses	27,381,458	24,818,251
Total operating increase	128,648,250	100,002,034
Nonoperating revenues/expenses		
Interest income, net of interest capitalized (note 2	200,226	230,171
Interest expense	(17,811,535)	(22,573,480)
Change in net assets	111,036,941	77,658,725
Total adjusted net assets at beginning of the year	171,719,196	94,060,471
Contributed capital	4,512,214	-
Total net assets at end of the year	$ 287,268,351	$ 171,719,196

See accompanying notes to financial statements

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Statements of Cash Flows

For the years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Receipts from toll fees	$ 39,095,529	$ 31,011,717
Receipts from grants and other income	140,278,202	68,937,574
Receipts from interest income	303,136	13,248
Payments to vendors	(5,475,877)	(6,393,455)
Payments to professionals	(3,662,055)	(2,699,043)
Payments to employees	(2,575,205)	(2,447,161)
Net cash flows provided by operating activities	167,963,730	88,422,880
Cash flows from capital and related financing activities:		
Acquisitions of property and equipment	(123,791,546)	(112,473,225)
Payments on interest	(36,140,149)	(32,231,123)
Acquisitions of construction in progress	(662,476)	(10,495,498)
Payment of Series 2005 Bonds	-	(173,124,727)
Payment of Series 2010 Subordinated Lien Bonds	-	(45,000,000)
Payment of TIFIA Bond	-	(77,656,077)
Proceeds from 2013 Note	-	5,300,000
Proceeds from Issuance of 2013 Series Bonds	-	289,770,000
Proceeds from Draw Down Note	1,075,251	1,574,569
Proceeds from Travis County	15,743,655	-
Proceeds from contributed capital	4,512,214	-
Net cash flows provided by (used in) capital and related financing activities	(139,263,051)	(154,336,081)
Cash flows from investing activities:		
Purchase of investments	(62,403,406)	(54,655,334)
Proceeds from sale or maturity of investments	117,241,507	201,419,139
Net cash flows provided by investing activities	54,838,101	146,763,805
Net increase in cash and cash equivalents	83,538,780	80,850,604
Cash and cash equivalents at beginning of year	126,044,911	45,194,307
Cash and cash equivalents at end of year (including $224,106,925 for 2014 and $213,309,817 for 2013 reported in restricted assets)	$ 209,583,691	$ 126,044,911

Reconciliation of change in net assets to net cash provided by operating activities:

	2014	2013
Change in net assets	$ 111,036,941	$ 77,658,725
Adjustments to reconcile change in net assets to		
Net cash used in operating activities:		
Depreciation and amortization	12,640,430	9,482,695
Amortization of premium/discount	(442,724)	(115,332)
Interest accretion	4,187,998	496,072
Issuance cost expense	195,716	395,307
Nonoperating interest	17,811,535	32,231,123
Changes in assets and liabilities:		
Decrease in prepaid expenses and other assets	(12,367)	(25,662)
(Increase) decrease in non-cash revenue (due from other agencies)	23,340,810	(13,326,121)
(Decrease) in accounts payable	(1,822,871)	(3,464,282)
Increase in accrued expenses	153	29,064
(Decrease) in deferred revenue	-	(34,774)
(Increase) decrease in deferred inflow of resources	1,028,109	(14,903,935)
Total adjustments	56,926,789	10,764,155
Net cash flows provided by operating activities	$ 167,963,730	$ 88,422,880

See accompanying notes to financial statements.

1. Organization and Summary of Significant Accounting Policies

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

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

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

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

Liquidity – During the year ending June 30, 2014, the Authority reported revenue of $156 million, and a change in net assets of approximately $111 million. Management believes that it has cash on hand, anticipated 2015 operating results, and available credit facilities that are sufficient to fund its operations through June 30, 2015.

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

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

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

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

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

Roads and bridges, 40 years
Improvements, 5-20 years
Buildings, 20-30 years
Equipment, 3-10 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.

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

The Authority has entered into several grant agreements with the Texas Department of Transportation (TxDOT) for construction costs using Highway Planning and Construction federal funding for transportation improvements. During the years ended June 30, 2014 and 2013, the Authority received $113,154,143 and $92,205,336, respectively, from TxDOT. The Authority defers the recognition of revenue when funds are received in advance of when the amounts are earned. As of June 30, 2014, there was no deferred grant revenue.

During the years ended June 30, 2014 and 2013, 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 that these contracts will be terminated or that funding will be reduced in the near future.

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

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

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

J. Bond Premiums, Discounts, and Issuance Costs - The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to capitalized interest using the effective interest method. Bond issuance cost is expensed as incurred, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 65 "Items Previously Reported as Assets and Liabilities".

K. Classification of Operating and Non-operating Revenue and Expenses - The Authority defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with the codification of Government and Financial Reporting Standards which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing or investing activities.

L. Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Examples of management's use of estimates and assumptions include, but are not limited to, depreciable lives and estimated residual value of property and equipment, amortization period of deferred costs, and the valuation of investments.

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

N. Subsequent Events - The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ending June 30, 2014, this date was October 21, 2014.

O. Recent Accounting Pronouncements - In June 2012, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 68 "Accounting and financial reporting for pensions- an amendment of GASB statement no. 27". The statement intends to improve accounting and financial reporting by state and local governments for pensions. It also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

In November 2013 the GASB issued GASB Statement No. 71 "Pension transition for contributions made subsequent to the measurement date- an amendment of GASB Statement No. 68". The statement intends to address issue related to amounts associated with contributions, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability when applying Statement 68 "Accounting and financial reporting for pensions". The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68

The Authority intends to apply GASB Statements 68 and 71 for fiscal years beginning after June 15, 2014. These statements are not expected to have a material impact on the Authority's financial position, results of operations or cash flows.

2. Cash and Investments

Deposit and investment resources are exposed to risks that have the potential to result in losses that could impact the delivery of the Authority's services. The Authority's Board has adopted an Investment Policy to set forth the factors involved in the management of investment assets for the Authority. The Authority seeks to mitigate risk by investing in compliance with the investment policy, qualifying the broker or financial institution with whom the Authority will transact, maintain sufficient collateralization, portfolio diversification, and limiting maturity.

As of June 30, 2014 and 2013, the Authority had the following investments:

Summary of Investments by Type		2014		2013
TexSTAR Investment Pool	$	11,769,105	$	24,003,529
Certificates of Deposit		5,000,000		8,000,000
U.S. Government Agency securities:				
Federal Home Loan Mortgage Corp.		48,934,074		88,537,752
Total investments	$	65,703,180	$	120,541,281
Unrestricted investments	$	5,060,036	$	8,345,711
Restricted investments		60,643,144		112,195,570
Total investments	$	65,703,180	$	120,541,281
Interest income	$	408,425	$	825,835
Less: interest income capitalized		(208,199)		(595,664)
Total investment income	$	200,226	$	230,171

Custodial Credit Risk

Deposits

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

At June 30, 2014, the carrying amount of the Authority's cash and cash equivalents was $209,583,691. The bank balance was $677,654 as of June 30, 2014. The remaining amount was maintained in money market accounts. At June 30, 2013, the carrying amount of the Authority's cash and cash equivalents was $126,044,911. The bank balance was $1,516,176 as of June 30, 2013. The remaining amount was maintained in money market accounts.

There is no limit on the amount the Authority may deposit in any one institution. The Authority was fully collateralized with pledged securities for amounts in excess of the FDIC limit for the years ended June 30, 2014 and 2013.

Investments

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

Concentration of Credit Risk

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

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

As of June 30, 2014 and 2013, the Authority's portfolio consisted of the following:

	2014	2013
TexSTAR Investment Pool	17.9%	19.9%
Certificates of Deposit	8%	7%
United States Government Agency Securities	74.5%	73.5%

Interest Rate Risk

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

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

As of June 30, 2014 and 2013, all of the Authority's investments mature within one year. The weighted average maturity of the TexSTAR Investment Pool at June 30, 2014 and 2013 was 56 days and 55 days, respectively.

Credit Risk

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

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

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

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2014:

Property, toll road and equipment as of June 30, 2014:

	2013	Additions/ Disposals	2014
Property and equipment	$ 9,711,906	1,462,425	$ 11,174,331
Toll Road			
Building and toll facilities	7,073,225	-	7,073,225
Highways and bridges	356,881,517	307,800,262	664,681,779
Toll equipment	15,522,644	12,077,916	27,600,560
Signs	9,639,198	3,221,632	12,860,830
Land improvements	4,231,950	9,812,824	14,044,774
Right of way	46,458,302	38,693,710	85,152,003
Accumulated depreciation	(47,648,469)	(12,640,430)	(60,288,899)
Net property and equipment	$ 401,870,275	360,428,329	$ 762,298,603

Property, toll road and equipment as of June 30, 2013:

	2012	Additions/ Disposals	2013
Property and equipment	$ 9,726,257	(14,350)	$ 9,711,907
Toll Road			
Building and toll facilities	7,062,332	10,893	7,073,225
Highways and bridges	198,281,337	158,600,180	356,881,517
Toll equipment	4,382,721	11,139,923	15,522,644
Signs	5,630,643	4,008,554	9,639,197
Land improvements	1,432,906	2,799,044	4,231,950
Right of way	24,683,551	21,774,753	46,458,304
Accumulated depreciation	(38,219,731)	(9,428,738)	(47,648,469)
Net property and equipment	$ 212,980,016	188,890,259	$ 401,870,275

Construction in progress as of June 30, 2014:

	2013	Additions/ Disposals	2014
Construction in progress			
Preliminary costs	$ 224,156,157	(156,927,159)	$ 67,228,998
Engineering	10,249	-	10,249
Construction	26,639,660	(25,099,204)	1,540,456
Collection system	2,784,515	(1,574,779)	1,209,736
Capitalized interest	48,130,289	(47,661,066)	469,223
Net construction in progress	$ 301,720,870	(231,262,208)	$ 70,458,662

Construction in progress as of June 30, 2013:

	2012	Additions/ Disposals	2013
Construction in progress			
Preliminary costs	$ 287,173,818	(63,017,661)	$ 224,156,157
Engineering	10,249	-	10,249
Construction	26,951,498	(311,838)	26,639,660
Collection system	3,683,752	(899,237)	2,784,515
Capitalized interest	47,033,324	1,096,965	48,130,289
Net construction in progress	$ 364,852,641	(63,131,771)	$ 301,720,870

Depreciation expense for the years ended June 30, 2014 and 2013 was $12,640,430 and $9,482,695 respectively. No retirements of capital assets occurred during the years ended June 30, 2014 and 2013.

Capitalized interest consists of the following as of June 30, 2014 and 2013:

		2014		2013
Interest accrued on bonds	$	525,023	$	49,534,589
Less: cumulative interest earned on bond proceeds invested		(55,800)		(1,404,400)
	$	469,223	$	48,130,189

4. Total Debt obligation

The following schedule summarizes total debt for the years ended June 30, 2014 and 2013:

Total debt for the year ended June 30, 2014:

		2013	Additions/ Amortization	Payments/ Debt Defeasance		2014
Draw Down Note	$	1,974,569	2,050,000	(974,749)	$	3,049,820
2013 Note		5,300,000	-	-		5,300,000
Series 2010 Obligations		95,011,738	(38,860)	-		94,972,879
Series 2011 Obligations		370,226,319	239,357	-		370,465,676
Series 2013 Obligations		313,558,620	(3,144,521)	(1,350,000)		309,064,101
Total	$	786,071,246	(894,024)	(2,324,749)	$	782,852,476

Total debt for the year ended June 30, 2013:

		2012	Additions/ Amortization	Payments/ Debt Defeasance		2013
Draw Down Note	$	400,000	2,800,000	(1,225,431)	$	1,974,569
2013 Note		-	5,300,000	-		5,300,000
Series 2005 Bonds		171,102,977	(97,057)	(171,005,920)		-
TIFIA Bond		77,656,077	-	(77,656,077)		-
Series 2010 Obligations		140,048,511	(36,773)	(45,000,000)		95,011,738
Series 2011 Obligations		369,971,128	255,191	-		370,226,319
Series 2013 Obligations		-	313,558,620	-		313,558,620
Total	$	759,178,693	321,779,981	(294,887,428)	$	786,071,246

The total debt obligations include current portion of the obligation of $3,475,000 and $1,350,000 for 2014 and 2013, respectively.

Series 2005 Obligations

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

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

The Series 2005 CIBs and Series 2005 Convertible CABs were refunded and defeased in whole by the Authority on May 16, 2013 with a portion of the proceeds of the Series 2013A Senior Lien Revenue Refunding Bonds and the Series 2013B Senior Lien Revenue Refunding Put Bonds, and other lawfully available funds of the Authority.

Series 2010 Obligations

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

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

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

The Series 2010 CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of $176,120,000. The principal amounts shown below for the Series 2010 CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2014. As of June 30, 2014, the aggregate maturity amount is $48,247,114.

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

The Series 2010 Subordinate Lien BABs were refunded and redeemed in whole by the Authority on June 5, 2013 with a portion of the proceeds of the Series 2013 Subordinate Lien Revenue Refunding Bonds issued by the Authority on May 16, 2013, and other lawfully available funds of the Authority.

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

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total June 30, 2014
Series 2010 Senior Lien Revenue Bonds					
Capital Appreciation Bonds	2025	7.20%	$ 3,158,010	$ -	$ 3,158,010
Capital Appreciation Bonds	2026	7.30%	3,516,022	-	3,516,022
Capital Appreciation Bonds	2027	7.40%	3,264,322	-	3,264,322
Capital Appreciation Bonds	2028	7.48%	3,171,378	-	3,171,378
Capital Appreciation Bonds	2029	7.56%	2,932,886	-	2,932,886
Capital Appreciation Bonds	2030	7.65%	2,702,667	-	2,702,667
Capital Appreciation Bonds	2031	7.71%	2,254,554	-	2,254,554
Capital Appreciation Bonds	2032	7.77%	2,103,884	-	2,103,884
Capital Appreciation Bonds	2033	7.78%	1,980,266	-	1,980,266
Capital Appreciation Bonds	2034	7.79%	1,860,557	-	1,860,557
Capital Appreciation Bonds	2035	7.80%	1,745,753	-	1,745,753
Capital Appreciation Bonds	2036	7.81%	1,418,625	-	1,418,625
Capital Appreciation Bonds	2037	7.82%	1,337,508	-	1,337,508
Capital Appreciation Bonds	2038	7.83%	1,258,995	-	1,258,995
Capital Appreciation Bonds	2039	7.84%	1,183,406	-	1,183,406
Capital Appreciation Bonds	2040	7.85%	1,110,877	-	1,110,877
Total Capital Appreciation Bonds			34,999,710	-	34,999,710
Current Interest Serial Bonds	2015	5.75%	140,000	1,035	141,035
Current Interest Serial Bonds	2017	5.75%	1,620,000	28,223	1,648,223
Current Interest Serial Bonds	2018	5.75%	3,475,000	58,226	3,533,226
Current Interest Serial Bonds	2019	5.75%	5,310,000	75,489	5,385,489
Current Interest Serial Bonds	2020	5.75%	7,240,000	78,072	7,318,072
Current Interest Term Bonds	2021	5.75%	8,530,000	(27,042)	8,502,958
Current Interest Term Bonds	2022	5.75%	9,365,000	(31,669)	9,333,331
Current Interest Term Bonds	2023	5.75%	10,215,000	(36,454)	10,178,546
Current Interest Term Bonds	2024	5.75%	11,075,000	(41,389)	11,033,611
Current Interest Term Bonds	2025	5.75%	2,910,000	(11,322)	2,898,678
Total Current Interest Bonds			59,880,000	93,169	59,973,169
Total Series 2010 Senior Lien Revenue Bonds			$ 94,879,710	$ 93,169	$ 94,972,879

The amount of accumulated accreted interest on the Series 2010 CABs as of June 30, 2014 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2010.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total June 30, 2014
Capital Appreciation Bonds	2025	7.20%	$ 3,158,010	$ 1,124,370	$ 4,282,380
Capital Appreciation Bonds	2026	7.30%	3,516,022	1,271,634	4,787,656
Capital Appreciation Bonds	2027	7.40%	3,264,322	1,199,102	4,463,424
Capital Appreciation Bonds	2028	7.48%	3,171,378	1,179,301	4,350,679
Capital Appreciation Bonds	2029	7.56%	2,932,886	1,104,080	4,036,966
Capital Appreciation Bonds	2030	7.65%	2,702,667	1,031,358	3,734,025
Capital Appreciation Bonds	2031	7.71%	2,254,554	868,006	3,122,560
Capital Appreciation Bonds	2032	7.77%	2,103,884	817,444	2,921,328
Capital Appreciation Bonds	2033	7.78%	1,980,266	770,543	2,750,809
Capital Appreciation Bonds	2034	7.79%	1,860,557	724,991	2,585,548
Capital Appreciation Bonds	2035	7.80%	1,745,753	681,292	2,427,045
Capital Appreciation Bonds	2036	7.81%	1,418,625	554,357	1,972,982
Capital Appreciation Bonds	2037	7.82%	1,337,508	523,377	1,860,885
Capital Appreciation Bonds	2038	7.83%	1,258,995	493,540	1,752,535
Capital Appreciation Bonds	2039	7.84%	1,183,406	464,600	1,648,006
Capital Appreciation Bonds	2040	7.85%	1,110,877	439,409	1,550,286
Total Capital Appreciation Bonds			$ 34,999,710	$ 13,247,404	$ 48,247,114

TIFIA Bond

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

On January 1, 2008, the Authority borrowed the entire balance of $66 million to pay down the Series 2005 Subordinate Lien BANS in full. The maturity date of the TIFIA Bond was January 1, 2042. Interest on the TIFIA bond accrued at an annual rate of 4.69% with interest payable each January 1 and July 1, commencing January 1, 2012. As of June 30, 2013, the Authority had a total of $11,656,077 of interest accrued on the $66,000,000 balance for a total of $77,656,077 in outstanding principal and interest.

The 2005 TIFIA Bond was refunded and prepaid in whole by the Authority on June 5, 2013 with a portion of the proceeds of the Series 2013A Senior Lien Revenue Refunding Bonds and the Series 2013 Subordinate Lien Revenue Refunding Bonds, issued by the Authority on May 16, 2013 and other lawfully available funds of the Authority.

Series 2011 Obligations

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

A portion of the proceeds from the Series 2011 Obligations was used to (i) prepay the State Infrastructure Bank loan in full, (ii) redeem the Series 2010 Notes in whole, (iii) pay capitalized interest with respect to the Series 2011 Obligations, (iv) make a deposit to the Senior Lien Debt Service Reserve Fund and the Subordinate Lien Debt Service Reserve Fund and (v) pay certain issuance costs of the Series 2011 Obligations. The remaining proceeds of the Series 2011 Obligations 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 on the dates and in the principal amounts shown below. Interest on the Series 2011 CIBs is calculated on the basis of a 360-day year of twelve 30-day months at the interest rates shown below. Interest on the Series 2011 CIBs is payable on each July 1 and January 1, commencing January 1, 2012.

The Series 2011 CABs are scheduled to mature on the dates shown below at an aggregated maturity amount of $22,130,000. The principal amounts shown below for the Series 2011 CABs represent the total amount of outstanding principal plus the accreted and compounded interest as of June 30, 2014. As of June 30, 2014, the aggregate maturity amount is $12,050,943.

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

The Series 2011 Subordinate Lien Bonds are scheduled to mature on the date and in the principal amount shown below. Interest on the Series 2011 Subordinate Lien Bonds is calculated on the basis of a 360-day year of twelve 30-day months at the interest rate shown below. Interest on the Series 2011 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing January 1, 2013.

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

The proceeds of Series 2011 Obligations were used in part to redeem the Series 2010 Notes in whole. As noted in the guidance, the remaining discount from the Series 2010 Notes is to be amortized over the original life of the Series 2010 Notes or the Series 2011 Obligations, whichever is shorter in length of time. As such, the discount will be amortized over the original life of the Series 2010 Notes. As of June 30, 2014, the remaining unamortized balance of the discount is $276,000.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total June 30, 2014
Series 2011 Senior Lien Revenue Bonds					
Capital Appreciation Bonds	2022	5.90%	$ 480,449	$ -	$ 480,449
Capital Appreciation Bonds	2023	6.10%	1,868,357	-	1,868,357
Capital Appreciation Bonds	2024	6.25%	3,346,475	-	3,346,475
Capital Appreciation Bonds	2025	6.40%	3,183,732	-	3,183,732
Capital Appreciation Bonds	2026	6.50%	1,120,931	-	1,120,931
Total Capital Appreciation Bonds			9,999,944	-	9,999,944
Current Interest Term Bonds	2026	5.75%	4,630,000	(25,402)	4,604,598
Current Interest Term Bonds	2027	5.75%	7,725,000	(45,975)	7,679,025
Current Interest Term Bonds	2028	5.75%	8,170,000	(52,415)	8,117,585
Current Interest Term Bonds	2029	5.75%	8,645,000	(59,462)	8,585,538
Current Interest Term Bonds	2030	5.75%	9,140,000	(67,084)	9,072,916
Current Interest Term Bonds	2031	5.75%	9,665,000	(75,381)	9,589,619
Current Interest Term Bonds	2032	6.00%	10,225,000	(84,432)	10,140,568
Current Interest Term Bonds	2033	6.00%	10,835,000	(94,410)	10,740,590
Current Interest Term Bonds	2034	6.00%	11,485,000	(105,282)	11,379,718
Current Interest Term Bonds	2035	6.00%	12,175,000	(117,095)	12,057,905
Current Interest Serial Bonds	2036	6.00%	12,905,000	(129,890)	12,775,110
Current Interest Term Bonds	2037	6.00%	13,675,000	(143,704)	13,531,296
Current Interest Term Bonds	2038	6.00%	14,500,000	(158,732)	14,341,268
Current Interest Term Bonds	2039	6.00%	15,365,000	(174,846)	15,190,154
Current Interest Term Bonds	2040	6.00%	16,290,000	(192,290)	16,097,710
Current Interest Term Bonds	2041	6.00%	27,560,000	(335,709)	27,224,291
Current Interest Term Bonds	2042	6.25%	15,980,000	(201,102)	15,778,898
Current Interest Term Bonds	2043	6.25%	17,165,000	(222,593)	16,942,407
Current Interest Term Bonds	2044	6.25%	18,425,000	(245,413)	18,179,587
Current Interest Term Bonds	2045	6.25%	19,750,000	(268,871)	19,481,129
Current Interest Term Bonds	2046	6.25%	31,620,000	(501,153)	31,118,847
Total Current Interest Bonds			295,930,000	(3,301,241)	292,628,759
Total Series 2011 Senior Lien Revenue Bonds			305,929,944	(3,301,241)	302,628,703
Subordinate Lien Term Bonds	2023	6.75%	700,000	(8,319)	691,681
Subordinate Lien Term Bonds	2024	6.75%	1,900,000	(25,166)	1,874,834
Subordinate Lien Term Bonds	2025	6.75%	2,300,000	(33,573)	2,266,427
Subordinate Lien Term Bonds	2026	6.75%	2,500,000	(39,857)	2,460,143
Subordinate Lien Term Bonds	2027	6.75%	2,700,000	(46,662)	2,653,338
Subordinate Lien Term Bonds	2028	6.75%	2,800,000	(52,127)	2,747,873
Subordinate Lien Term Bonds	2029	6.75%	3,000,000	(59,829)	2,940,171
Subordinate Lien Term Bonds	2030	6.75%	3,200,000	(68,031)	3,131,969
Subordinate Lien Term Bonds	2031	6.75%	3,500,000	(78,971)	3,421,029
Subordinate Lien Term Bonds	2032	6.75%	3,600,000	(85,884)	3,514,116
Subordinate Lien Term Bonds	2033	6.75%	3,700,000	(93,011)	3,606,989
Subordinate Lien Term Bonds	2034	6.75%	3,900,000	(102,967)	3,797,033
Subordinate Lien Term Bonds	2035	6.75%	4,000,000	(110,587)	3,889,413
Subordinate Lien Term Bonds	2036	6.75%	4,100,000	(118,360)	3,981,640
Subordinate Lien Term Bonds	2037	6.75%	4,300,000	(129,232)	4,170,768
Subordinate Lien Term Bonds	2038	6.75%	4,400,000	(137,257)	4,262,743
Subordinate Lien Term Bonds	2039	6.75%	4,600,000	(148,408)	4,451,592
Subordinate Lien Term Bonds	2040	6.75%	4,700,000	(156,124)	4,543,876
Subordinate Lien Term Bonds	2041	6.75%	10,100,000	(392,662)	9,707,338
Total Series 2011 Subordinate Lien Term Bonds			70,000,000	(1,887,027)	68,112,973
Total Series 2010 Notes Discount			-	(276,000)	(276,000)
Total Series 2011 Obligations			$ 375,929,944	$ (5,464,268)	$ 370,465,676

The amount of accumulated accreted interest on the Series 2011 CABs as of June 30, 2014 is set forth in the following table. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2011.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Accumulated Accretion	Total June 30, 2014
Capital Appreciation Bonds	2022	5.90%	$ 480,449	$ 91,748	$ 572,197
Capital Appreciation Bonds	2023	6.10%	1,868,357	369,792	2,238,149
Capital Appreciation Bonds	2024	6.25%	3,346,475	679,945	4,026,420
Capital Appreciation Bonds	2025	6.40%	3,183,732	663,719	3,847,451
Capital Appreciation Bonds	2026	6.50%	1,120,931	245,795	1,366,726
Total Capital Appreciation Bonds			$ 9,999,944	$ 2,050,999	$ 12,050,943

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 Series 2005 Senior Lien Revenue Bonds, the 2005 TIFIA Bond, and the 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 $155,810,000 and are scheduled to mature on the dates and in the principal amounts shown below. Interest on the Series 2013A Senior Lien Bonds is calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Series 2013A Senior Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013.

The Series 2013B Senior Lien Put Bonds were issued as Current Interest Bonds in the aggregate amount of $30,000,000, constitute Variable Rate Obligations under the bond indenture and are scheduled to mature on the date and in the principal amount shown below. 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 3.00% 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 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 9.00% per annum until subsequently remarketed.

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.

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total June 30, 2014
Series 2013A Senior Lien Revenue Refunding Bonds					
Senior Lien Term Bonds	2024	5.00%	$ 3,375,000	$ 278,909	$ 3,653,909
Senior Lien Term Bonds	2025	5.00%	3,350,000	276,843	3,626,843
Senior Lien Term Bonds	2026	5.00%	4,665,000	385,514	5,050,514
Senior Lien Term Bonds	2027	5.00%	4,755,000	392,952	5,147,952
Senior Lien Term Bonds	2028	5.00%	4,330,000	357,830	4,687,830
Senior Lien Term Bonds	2029	5.00%	4,435,000	366,507	4,801,507
Senior Lien Term Bonds	2030	5.00%	4,545,000	375,597	4,920,597
Senior Lien Term Bonds	2031	5.00%	5,840,000	482,616	6,322,616
Senior Lien Term Bonds	2032	5.00%	5,925,000	489,640	6,414,640
Senior Lien Term Bonds	2033	5.00%	6,020,000	497,491	6,517,491
Senior Lien Term Bonds	2034	5.00%	6,140,000	383,807	6,523,807
Senior Lien Term Bonds	2035	5.00%	6,275,000	399,246	6,674,246
Senior Lien Term Bonds	2036	5.00%	7,990,000	499,450	8,489,450
Senior Lien Term Bonds	2037	5.00%	8,180,000	511,327	8,691,327
Senior Lien Term Bonds	2038	5.00%	8,390,000	524,454	8,914,454
Senior Lien Term Bonds	2039	5.00%	8,615,000	538,519	9,153,519
Senior Lien Term Bonds	2040	5.00%	8,870,000	554,458	9,424,458
Senior Lien Term Bonds	2041	5.00%	10,045,000	627,907	10,672,907
Senior Lien Term Bonds	2042	5.00%	10,370,000	648,222	11,018,222
Senior Lien Term Bonds	2043	5.00%	240,000	15,002	255,002
Total Senior Lien Term Bonds			122,355,000	8,606,291	130,961,291
Senior Lien Serial Bonds	2015	4.00%	2,155,000	32,017	2,187,017
Senior Lien Serial Bonds	2016	5.00%	4,675,000	262,428	4,937,428
Senior Lien Serial Bonds	2017	5.00%	4,195,000	366,379	4,561,379
Senior Lien Serial Bonds	2018	5.00%	3,800,000	424,215	4,224,215
Senior Lien Serial Bonds	2019	5.00%	3,480,000	451,809	3,931,809
Senior Lien Serial Bonds	2020	5.00%	3,210,000	464,854	3,674,854
Senior Lien Serial Bonds	2021	5.00%	3,760,000	580,066	4,340,066
Senior Lien Serial Bonds	2022	5.00%	3,605,000	580,588	4,185,588
Senior Lien Serial Bonds	2023	5.00%	3,475,000	568,828	4,043,828
Total Senior Lien Serial Bonds			32,355,000	3,731,184	36,086,184
Plus Transfer Premium from the Series 2005 Debt Defeasance			-	4,060,269	4,060,269
Total Series 2013A Senior Lien Revenue Refunding Bonds			$ 154,710,000	$ 16,397,744	$ 171,107,744
Series 2013B Senior Lien Revenue Refunding Put Bonds					
Senior Lien Put Bonds	2039	3.00%	150,000	2,296	152,296
Senior Lien Put Bonds	2040	3.00%	155,000	2,373	157,373
Senior Lien Put Bonds	2041	3.00%	160,000	2,449	162,449
Senior Lien Put Bonds	2042	3.00%	165,000	2,526	167,526
Senior Lien Put Bonds	2043	3.00%	9,380,000	143,585	9,523,585
Senior Lien Put Bonds	2044	3.00%	9,890,000	151,392	10,041,392
Senior Lien Put Bonds	2045	3.00%	10,100,000	154,606	10,254,606
Total Series 2013B Senior Lien Revenue Refunding Put Bonds			$ 30,000,000	$ 459,227	$ 30,459,227

Description	Maturity January 1	Interest Rate	Outstanding Principal	Unamortized Premium (Discount)	Total June 30, 2014
Series 2013 Subordinate Lien Revenue Refunding Bonds					
Subordinate Lien Term Bonds	2024	5.00%	$ 2,855,000	$ 103,810	$ 2,958,810
Subordinate Lien Term Bonds	2025	5.00%	3,005,000	109,264	3,114,264
Subordinate Lien Term Bonds	2026	5.00%	3,150,000	114,537	3,264,537
Subordinate Lien Term Bonds	2027	5.00%	3,315,000	120,536	3,435,536
Subordinate Lien Term Bonds	2028	5.00%	3,475,000	126,354	3,601,354
Subordinate Lien Term Bonds	2029	5.00%	3,655,000	132,899	3,787,899
Subordinate Lien Term Bonds	2030	5.00%	3,835,000	139,444	3,974,444
Subordinate Lien Term Bonds	2031	5.00%	4,025,000	146,352	4,171,352
Subordinate Lien Term Bonds	2032	5.00%	4,315,000	156,897	4,471,897
Subordinate Lien Term Bonds	2033	5.00%	4,635,000	168,532	4,803,532
Subordinate Lien Term Bonds	2034	5.00%	4,985,000	92,965	5,077,965
Subordinate Lien Term Bonds	2035	5.00%	5,390,000	100,518	5,490,518
Subordinate Lien Term Bonds	2036	5.00%	5,760,000	107,418	5,867,418
Subordinate Lien Term Bonds	2037	5.00%	6,195,000	115,531	6,310,531
Subordinate Lien Term Bonds	2038	5.00%	6,640,000	123,830	6,763,830
Subordinate Lien Term Bonds	2039	5.00%	7,115,000	132,688	7,247,688
Subordinate Lien Term Bonds	2040	5.00%	7,625,000	142,199	7,767,199
Subordinate Lien Term Bonds	2041	5.00%	3,955,000	73,757	4,028,757
Subordinate Lien Term Bonds	2042	5.00%	4,225,000	78,792	4,303,792
Total Subordinate Lien Term Bonds			88,155,000	2,286,323	90,441,323
Subordinate Lien Serial Bonds	2015	4.00%	1,180,000	14,731	1,194,731
Subordinate Lien Serial Bonds	2016	5.00%	500,000	23,934	523,934
Subordinate Lien Serial Bonds	2017	5.00%	500,000	35,998	535,998
Subordinate Lien Serial Bonds	2018	5.00%	1,000,000	90,253	1,090,253
Subordinate Lien Serial Bonds	2019	5.00%	2,235,000	229,302	2,464,302
Subordinate Lien Serial Bonds	2020	5.00%	2,350,000	257,940	2,607,940
Subordinate Lien Serial Bonds	2021	5.00%	2,470,000	274,238	2,744,238
Subordinate Lien Serial Bonds	2022	5.00%	2,595,000	285,373	2,880,373
Subordinate Lien Serial Bonds	2023	5.00%	2,725,000	289,036	3,014,036
Total Subordinate Lien Serial Bonds			15,555,000	1,500,805	17,055,805
Total Series 2013 Subordinate Lien Term and Serial Revenue Refunding Bonds			103,710,000	3,787,128	107,497,128
Total Series 2013 Obligations			$ 288,420,000	$ 20,644,099	$ 309,064,099

Draw Down Note Facility

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

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

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

During fiscal year 2014, the Authority received loan proceeds of $2,050,000 under the Draw Down Note and made principal and interest payments of $974,749. The Draw Down Note has an outstanding balance of $3,049,820 as of June 30, 2014.

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 (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 2014 under the Loan. The Loan has an outstanding balance of $5,300,000 as of June 30, 2014.

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, 2014 are as follows:

Fiscal Year Ended June 30	**Principal**	**Interest**	**Total Amount**
2015	$ 3,475,000	$ 44,496,793	$ 47,971,793
2016	8,224,820	44,725,712	52,950,532
2017	8,045,000	44,882,315	52,927,315
2018	10,040,000	44,847,622	54,887,622
2019	12,830,000	44,712,973	57,542,973
2020 and thereafter	724,964,657	718,801,829	1,443,766,486
Total obligations	$ 767,579,477	$ 942,467,244	$ 1,710,046,721

Below is a reconciliation of the principal payments to the balance sheet as of June 30, 2014:

		Principal
Total obligations	$	767,579,477
Plus: unamortized premium / discount, net		15,272,999
Total Draw Down Note, 2013 Note, Series 2010 Senior Lien Revenue Bonds, Series 2011 Obligations and Series 2013 Obligations		782,852,473
Less: Bonds Payable - Current Portion		(3,475,000)
Total Non-Current Portion	$	779,377,476

5. Deferred Inflow of Resources

In accordance with GAB 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 inflow of resources. The deferred inflow of resources is amortized over the term of the defeased bonds and recognized as a component of interest expense annually. As of June 30, 2014 the Authority the deferred inflow of resource balance was $13,875,826.

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 U.S. Treasury. The Authority has not accrued any rebatable arbitrage as of June 30, 2014 or 2013.

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 2014 and 2013.

8. Employee Retirement Plan

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

Funding Policy **-** Plan members and the Authority are required to contribute at a rate set by statute. The contribution requirements of Plan members and the Authority are established and may be amended. For 2014 and 2013, the contribution rate for the Plan members was 7.0% of gross pay. The Authority pays a matching portion to the defined contribution pension plan totaling 14% of gross pay for 2014 and 2013, which totaled $268,726 and $250,446 for 2014 and 2013, respectively.

9. Disaggregation of Receivable and Payable Balances

Receivables are comprised of current intergovernmental receivables, representing 100% of the balance at June 30, 2014 and 2013. Payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2014 and 2013.

10. Related Party

The Chief Financial Officer of the Authority is the President of The Texas Short Term Asset Reserve Fund ("TexSTAR"). TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Authority has investments of $11,769,105 and $24,003,529 in TexSTAR as of June 30, 2014 and 2013, respectively.

11. Commitments and Contingent Liabilities

Commitments

On May 2014, the Authority entered into a 10-year lease agreement for office space at 3300 N. IH 35, Austin, Texas. The aggregate future minimum lease payments under the new lease are as follows:

2015	$	311,859
2016		323,627
2017		335,395
2018		347,163
2019		358,932
Thereafter		1,484,107
	$	3,161,083

The Authority's total rental expense for fiscal years 2014 and 2013 amounted to $250,402 and $200,908, respectively.

Litigation

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

12. Due from Other Agencies

Due from other agencies is comprised of amounts due from other Texas tolling authorities related to toll tag transactions on the Authority's toll 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. As of June 30, 2014 and 2013, the receivable from TxDOT comprises approximately 32% and 94% respectively, of the total balance due from other agencies.

		2014		**2013**
TxDot	$	1,359,574	$	25,576,199
US Treasury		-		-
Other Agencies		2,951,225		2,078,623
Total	$	4,310,799	$	27,654,822

CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

Supplemental Schedule - Indenture Cash Flow and Debt Service Coverage

For the year ended June 30, 2014

Toll Revenues		$ 39,968,131
Other Revenues		1,597,419 [1]
Miscellaneous Revenue		2,907,434
Interest Income Available to Pay Debt Service		200,226
Total Revenues		44,673,210
Less: System Operating Expenses		(9,859,760)
Revenues Available for Rate Covenant and Additional Bonds Tests		34,813,450
Net Senior Lien Debt Service	$ 11,047,444	
Net Subordinate Lien Debt Service	3,737,650	
Total Net Debt Service	$ 14,785,094	
Debt Service Coverage Ratio for Rate Covenant and Additional Bonds Test		
Senior Lien Obligations	3.15	
Senior and Subordinate Lien Obligations	2.35	
Less: System Maintenance Expenses		(1,331,895)
Revenues Available for Debt Service		33,481,555
Debt Service Coverage Ratios for Revenues Available for Debt Service		
Senior Lien Obligations	3.03	
Senior and Subordinate Lien Obligations	2.26	
Less: Total Net Debt Service		(14,785,094)
Less: Deposits to Renewal and Replacement Fund		-
Less: Debt Service Payments on Other Obligations		-
Annual Excess		$ 18,696,461

[1] Grant revenues of approximately $112 million is excluded from "Other Revenues" as such grant revenues are restricted for purposes other than debt service obligations. Only HERO grant revenues are included in "Other Revenues" above as the corresponding expenses are included in "System Operating Expenses" and the amounts net to zero.