TEXAS TRANSPORTATION COMMISSION

TRAVIS AND WILLIAMSON Counties **MINUTE ORDER**

AUSTIN District

Transportation Code, Chapter 228 and other applicable law authorizes the Texas Transportation Commission (commission) to issue toll project revenue bonds, bond anticipation notes, and other obligations to finance toll projects on the state highway system, and to enter into trust agreements and indentures of trust governing matters relating to the issuance of such obligations.

The commission issued toll project revenue bonds and other obligations to finance a portion of the costs of the Central Texas Turnpike System (system), a toll project composed initially of SH 130 (Segments 1 through 4), SH 45 North, and Loop 1 project elements. SH 45SE was added to the system in fiscal year 2013. The commission also authorized the execution of an indenture of trust dated July 15, 2002 (indenture) and eight supplemental indentures to secure revenue bonds and other obligations issued for the system. The indenture prescribes the terms, provisions and covenants related to the issuance of toll project revenue bonds and obligations to finance a portion of the costs of the system.

Under Section 712 of the indenture, the commission covenants to prepare, or cause to be prepared, no more than 120 days after the last day of each fiscal year, a financial report of the results of operations of the system for such fiscal year. The financial report is required to be certified by a certified public accountant and to contain an audited balance sheet, an audited statement of operations, and an audited statement of cash flows for such fiscal year. Audited financial statements, contained in the attached Exhibit A, have been prepared for the fiscal year ended August 31, 2015.

IT IS THERFORE ORDERED by the commission that the audited financial statements of the system, attached as Exhibit A, are accepted.

Submitted and reviewed by:

Director, Finance Division

Recommended by:

Executive Director

114486 JAN 28 16

Minute Number | Date Passed

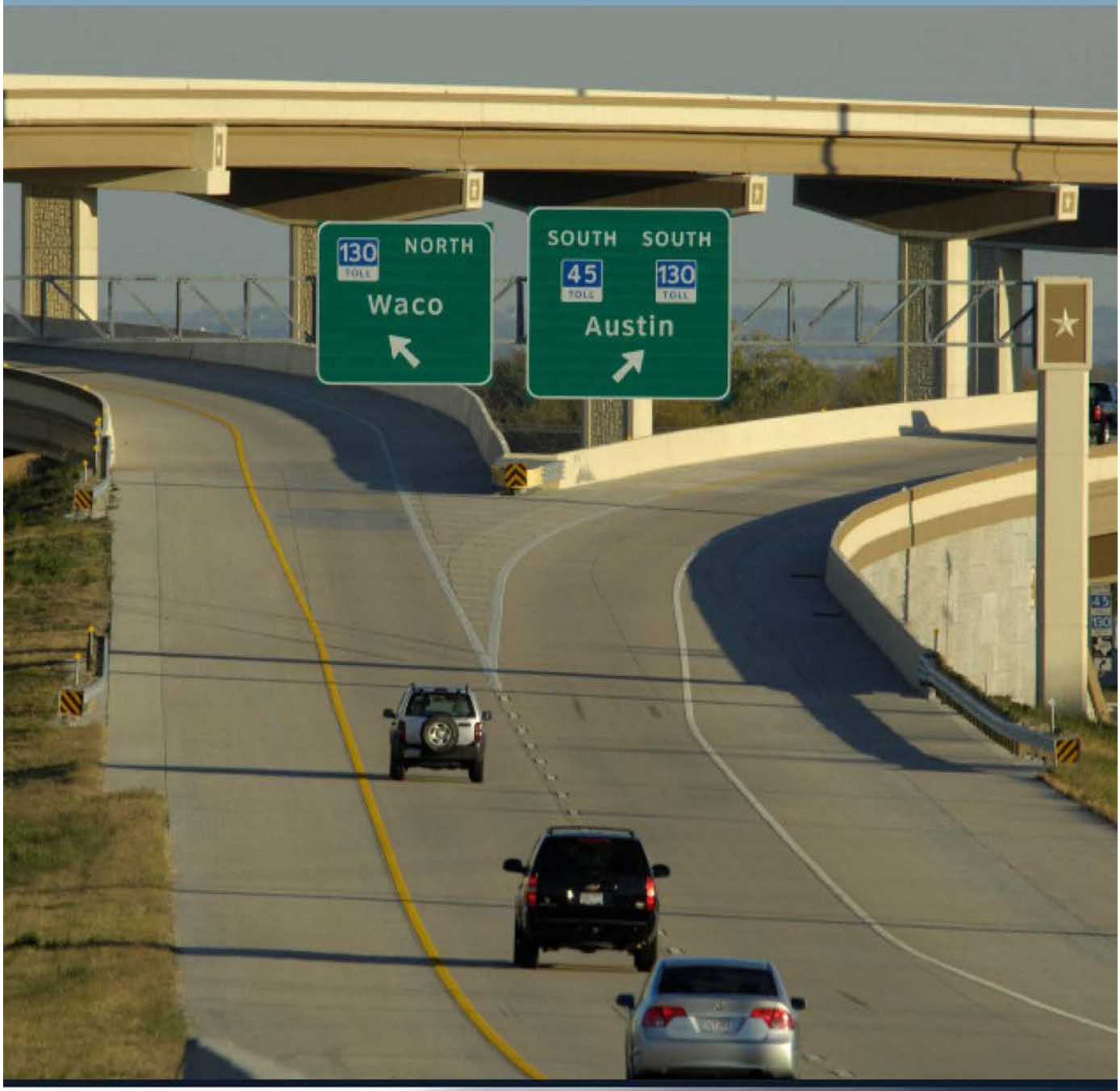
Exhibit A

ANNUAL FINANCIAL REPORT

Central Texas Turnpike System

An Enterprise Fund of the Texas Department of Transportation

(With Independent Auditor's Report)



Texas Department of Transportation

For the Fiscal Year Ended August 31, 2015

CENTRAL TEXAS TURNPIKE SYSTEM

An Enterprise Fund of the Texas Department of Transportation

FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2015

Prepared by:

Finance Division of the Texas Department of Transportation

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CENTRAL TEXAS TURNPIKE SYSTEM

Financial Statements
For the Fiscal Year Ended August 31, 2015

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Central Texas Turnpike System
INTRODUCTORY SECTION

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Texas Department of Transportation
125 EAST 11TH STREET | AUSTIN, TEXAS 78701-2483 | (512) 463-8588 | WWW.TXDOT.GOV

December 16, 2015

To: The Citizens of the State of Texas and the Creditors of the Central Texas Turnpike System

The audited annual financial statements of the Central Texas Turnpike System (CTTS) for the year ended August 31, 2015 are enclosed in accordance with the Indenture of Trust dated July 15, 2002. The Indenture of Trust, as supplemented by the first through seventh Supplemental Indentures (Indenture), requires the preparation and submission of audited annual financial statements. This report was prepared by the accounting staff of the Finance Division, Texas Department of Transportation (TxDOT).

Management is responsible for the accuracy of the data in this report as well as for the completeness and fairness of the presentation. Consequently, management assumes full responsibility for the completeness and fairness of all of the information presented in the financial statements. To the best of my knowledge and belief, the financial statements are accurate in all material respects, are reported in a manner that presents fairly the financial position and results of operations of CTTS and provide disclosures that enable the reader to understand CTTS' financial condition.

Crowe Horwath LLP performed an independent audit, in accordance with generally accepted auditing standards, of CTTS' basic financial statements for the year ended August 31, 2015. The audit opinion is presented in this report preceding the financial statements.

Profile of the Government

This report includes financial statements for CTTS. CTTS is part of TxDOT's reporting entity. TxDOT is an agency of the state of Texas. The functions of TxDOT have evolved over time due to statutory changes, with the most recent being the creation of the Texas Department of Motor Vehicles in 2009. Headquartered in Austin, TxDOT is organized by administration, districts, divisions, and offices. TxDOT also maintains a comprehensive public interest website that outlines the agency's policies, plans, projects status and major initiatives at www.txdot.gov.

TxDOT is managed by an executive director and is governed by the five-member Texas Transportation Commission. All members of the Commission are appointed by the Governor.

Texas Transportation Code grants the Commission the authority to study, plan, design, construct, finance, operate and maintain turnpikes in all 254 counties of the state as a part of the state's highway system. The Commission can issue turnpike revenue bonds to pay all or a part of the cost of a turnpike project, to enter into comprehensive development agreements to execute projects and to acquire right of way through quick-take procedures. Such revenue bonds were issued to fund a portion of the costs of constructing the CTTS roadways.

Accounting System and Budgetary Controls

TxDOT's internal accounting controls provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposal and the reliability of financial records for

preparing financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefit.

Information Useful in Assessing CTTS' Financial Condition

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the financial activities of CTTS. We encourage readers to consider the information in this letter of transmittal in conjunction with the MD&A.

The following are the active sub-accounts of CTTS, established in accordance with the Indenture:

- Revenue Fund – Monies from CTTS tolls and fees are deposited into the Revenue Fund and flow through the Master Trust Indenture flow of funds. To the extent all funds have the required balances, any monies on deposit in the Revenue Fund can be transferred to the General Reserve Fund and used for the purposes allowed by the General Reserve Fund. The General Reserve Fund currently has no deposits.

- First Tier Debt Service Fund – Monies on deposit may be used solely for principal and interest debt service on First Tier obligations.

- First Tier Debt Service Reserve Fund – Monies on deposit may be used solely to pay debt service on First Tier obligations to the extent funds are not otherwise available.

- Second Tier Debt Service Fund – Monies on deposit may be used solely for principal and interest debt service on Second Tier Obligations.

- Second Tier Debt Service Reserve Fund – Monies on deposit may be used solely to pay debt service on Second Tier Obligations to the extent funds are not otherwise available.

- Rate Stabilization Fund – Monies on deposit in this account are intended to assure rates and charges remain competitive and reasonable. Permissible uses: (i) cure deficiency in debt service funds, (ii) deposit into operating account under certain conditions, (iii) pay operating expenses or maintenance expenses if operating account and maintenance account are insufficient and (iv) for any other purpose for which revenues are permitted to be used under applicable law under the CTTS Master Indenture (includes self-insurance). The balance for this fund must at least equal $67.9 million, which represents all revenues received through Aug. 31, 2008, unless amounts in the fund are used to cure a debt service deficiency for any tier. In no event shall the fund balance be reduced below $10 million.

- Operating Account – Monies used for operating expenses, held outside the Trust.

- Maintenance Account – Monies used for maintenance expenses, held outside the Trust.

- Reserve Maintenance Account – Monies used for Annual Capital Budget and unusual or extraordinary maintenance, held outside the Trust.

- Construction Fund-Capital Contributions Account – Monies on deposit are mainly comprised of TxDOT contributions and accumulated interest earnings. The funds may only be used for lawful purposes of the system.

TxDOT and the Trustee are responsible for ensuring that funds maintain the proper minimum balances as set forth in the Indenture and for investing in securities required to meet liquidity requirements. The criteria for suitable investments for each fund type are detailed in the Commission's investment strategy.

All monies in the revenue fund, debt service fund, rate stabilization fund and construction fund – capital contributions account are invested in money market funds, government securities and investment pools that are in compliance with the Commission's investment policy.

The debt service reserve fund is invested in a money market fund and a repurchase agreement collateralized by U.S. Treasury and Agency Securities.

For more detailed information on investments, please see the latest Texas Transportation Commission Quarterly Investment Report and Investment Policy. A copy of the Investment Policy can be obtained at the following website:

www.txdot.gov/inside-txdot/office/innovative-finance/investors/ctts-reports.html

Risk Financing & Management

CTTS does not provide financing for any of the risks TxDOT is subject to in the course of its operations. TxDOT provides all accounting, debt financing and administrative services. Salaries and wages of TxDOT employees who are specifically dedicated to managing the operations of CTTS are reported as expenses in this report.

Acknowledgements

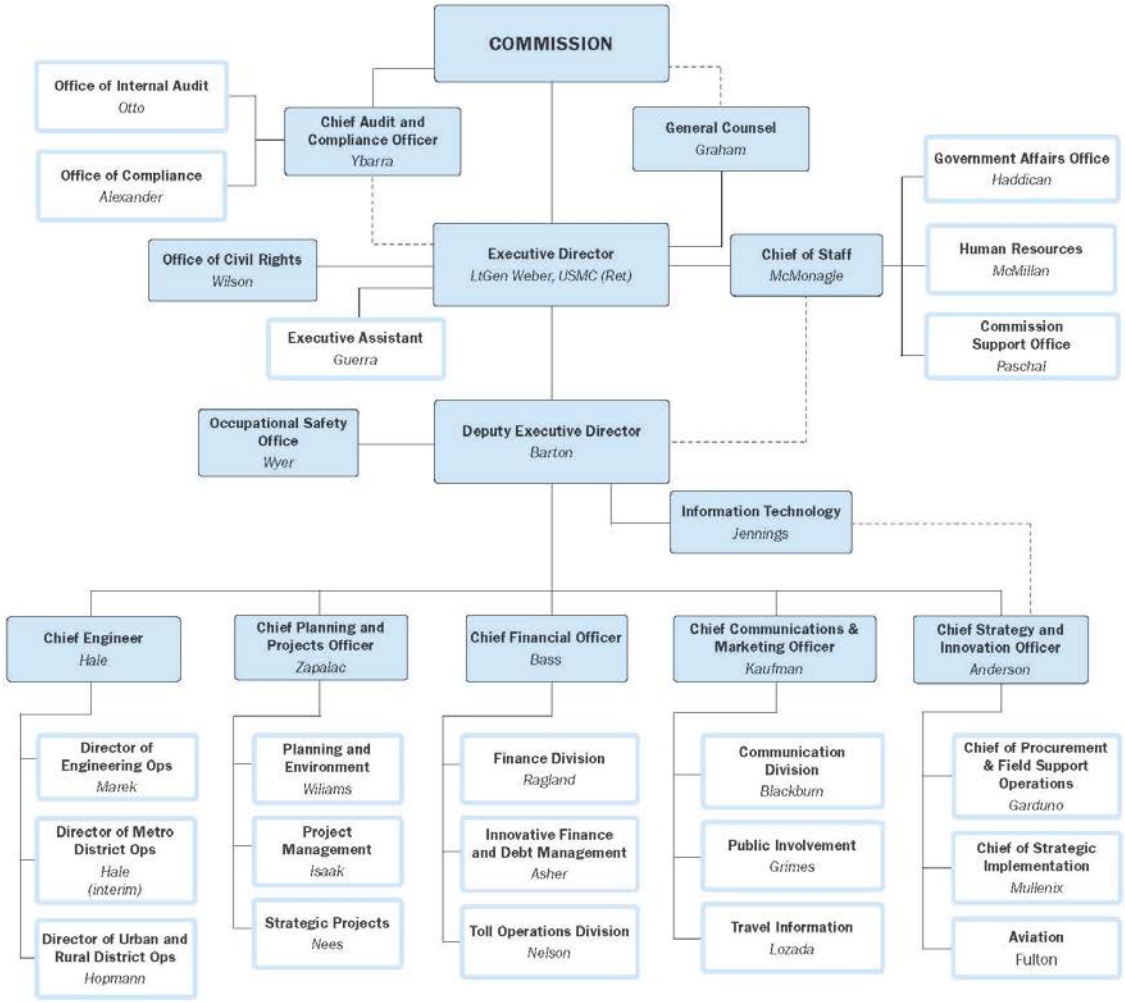
The preparation of the report requires the efforts of individuals throughout TxDOT, including the dedicated efforts of the management and staff of the TxDOT Financial Reports Section and Finance Division and the Innovative Financing/Debt Management Office. I sincerely appreciate the efforts of all these individuals who continue to help make TxDOT a leader in quality financial reporting.

Sincerely,

LtGen J.F. Weber, USMC (Ret)
Executive Director

Texas Department of Transportation

Effective 8/31/2015



Commission and Key Personnel
As of August 31, 2015

TEXAS TRANSPORTATION COMMISSION

TRYON D. LEWIS ..... Chair
Odessa

JEFF AUSTIN III ..... Commissioner
Tyler

J. BRUCE BUGG, JR. ..... Commissioner
San Antonio

JEFF MOSELEY ..... Commissioner
Houston

VICTOR VANDERGRIFF ..... Commissioner
Fort Worth

TEXAS DEPARTMENT OF TRANSPORTATION

LT GEN JOE WEBER, USMC (RET) ..... Executive Director
MARC WILLIAMS ..... Deputy Executive Director (Interim)
RICHARD McMONAGLE ..... Chief of Staff
BILL HALE ..... Chief Engineer
BOB KAUFMAN ..... Chief Communications and Marketing Officer
JAMES M. BASS ..... Chief Financial Officer
RUSSELL ZAPALAC ..... Chief Planning and Project Officer
DARRAN ANDERSON ..... Chief Strategy and Innovation Officer

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Central Texas Turnpike System
FINANCIAL SECTION

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Members of the Texas Transportation Commission
State of Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Texas Turnpike System (System), an enterprise fund of the Texas Department of Transportation (TxDOT), an agency of the State of Texas, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the System, as of August 31, 2015, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Central Texas Turnpike System, an enterprise fund of the Texas Department of Transportation, an agency of the State of Texas, and do not purport to, and do not, present fairly the financial position of TxDOT or the State of Texas, as of August 31, 2015, the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
December 16, 2015

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MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the Texas Department of Transportation (TxDOT), we offer readers of the Central Texas Turnpike System's (CTTS) financial statements this narrative overview and analysis of its financial activities for the year ended Aug. 31, 2015, with selected comparative information for the year ended Aug. 31, 2014. The information presented should be read in conjunction with our letter of transmittal, the financial statements and the accompanying notes to the financial statements.

Highlights

During fiscal 2015, CTTS generated $152.3 million in toll revenues, an increase of $21.4 million or 16 percent over fiscal 2014. Toll revenues increased due to a 14 percent increase in overall toll transactions, with 124.5 million transactions recorded on CTTS roadways in fiscal 2015.

CTTS reimbursed the state highway fund $55.0 million for fiscal 2015 operating and maintenance expenses paid throughout the year by the state highway fund on CTTS' behalf. In addition, CTTS increased their operating, maintenance, and reserve maintenance accounts held in the state highway fund by $17.9 million; the indenture requires these monies to be held separate and apart from its other funds and accounts. This increases the total now held in those three accounts to $43.7 million, which is reported as a Due From on the accompanying financial statements. See Note 6 for more information.

The assets and deferred outflows of CTTS exceeded its liabilities by $391.7 million as of Aug. 31, 2015, a decrease of $74.3 million or 16 percent from fiscal 2014. The majority of the decrease is attributable to accretion of long-term liabilities of $42.2 million and depreciation of capital assets of $53.9 million, offset by an increase in operating revenues of $19.0 million.

The Texas Transportation Commission (Commission) refunded $1.8 billion of outstanding debt in February 2015. This refunding will result in approximately $948 million in savings over the life of the debt.

Overview of the Financial Statements

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

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. TxDOT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Proprietary funds are used to account for a government's business-type activities. The activities related to CTTS are accounted for in an enterprise fund, which is a type of proprietary fund used to report activities in which a fee is charged to external users for goods and services.

Financial Analysis

The overall financial position and operations of CTTS for the past two years is summarized as follows.

Condensed Statement of Net Position
(Amounts in Thousands)
August 31, 2015 and 2014

	2015	2014
ASSETS		
Assets Other Than Capital Assets	$558,003	$471,277
Capital Assets	2,749,057	2,802,166
Total Assets	3,307,060	3,273,443
DEFERRED OUTFLOWS OF RESOURCES	33,940	7,071
LIABILITIES		
Current Liabilities	19,382	18,866
Noncurrent Liabilities	2,929,951	2,795,688
Total Liabilities	2,949,333	2,814,554
NET POSITION		
Net Investment in Capital Assets	620,788	636,693
Restricted for Debt Service	49,404	38,952
Restricted for Other	43,739	25,697
Unrestricted	(322,264)	(235,382)
Total Net Position	$391,667	$465,960

*GASB Statement 65, implemented in fiscal 2014, required the presentation of deferred outflows of resources and the write-off of prepaid issuance costs that were previously classified as deferred charges, a noncurrent asset, and amortized as a component of interest expense. As a result, the statement of net position was restated to reflect the changes necessitated by GASB.

Condensed Changes in Net Position
(Amounts in Thousands)
For the Fiscal Years Ended August 31, 2015 and 2014

	2015	2014
REVENUES		
Total Operating Revenues	$163,258	$144,214
Total Nonoperating Revenues	6,332	6,322
Total Revenues	169,590	150,536
EXPENSES		
Total Operating Expenses	(110,256)	(106,622)
Total Nonoperating Expenses	(137,744)	(136,150)
Total Expenses	(248,000)	(242,772)
Loss Before Contributions and Transfers	(78,410)	(92,236)
Capital Contributions	2,410	30,813
Transfers	1,707	2,075
Change in Net Position	(74,293)	(59,348)
Net Position – Beginning	465,960	525,308
Net Position – Ending	$391,667	$465,960

Net position may serve over time as a useful indicator of CTTS' financial position. Net position will decline as additional noncurrent liabilities are accrued via principal accretion on outstanding CTTS debt and depreciation of assets. Investment balances increased by $64 million, primarily due to the funding of a 2nd Tier debt service reserve fund, pursuant to the Seventh Supplemental Indenture. In addition, management continues to use excess revenues to reimburse the state highway fund for operation and maintenance costs and to fund the operating and maintenance reserve accounts.

The methodology the Commission has adopted to determine the reimbursement to the state highway fund for operations and maintenance expenses is dependent upon available toll revenues, debt service requirements and indenture requirements for fund balances. Debt service, including amounts paid during the refunding on Feb. 4, 2015, was $100.4 million in fiscal 2015 and is scheduled to increase to $108.8 million in fiscal 2016. Operations and maintenance expense is estimated to decrease $3.0 million.

Capital Assets and Debt Administration

Capital Assets

As of Aug. 31, 2015, CTTS had $2.7 billion in net capital assets.

Capital Assets-Net of Depreciation and Amortization
August 31, 2015 and 2014
(Amounts in Thousands)

	2015	2014
Land	$ 666,979	$ 668,634
Construction in Progress	24,605	30,378
Land Use Rights	19,466	19,467
Infrastructure-Roadways and Bridges	2,033,043	2,078,362
Buildings	4,964	5,325
Total Capital Assets	$ 2,749,057	$ 2,802,166

The decrease in net capital assets of $53.1 million mostly reflects depreciation of $53.9 million. In fiscal 2014, TxDOT converted from the modified approach to the depreciation approach for capital assets. See Notes 1 and 2 for more information.

Debt Administration

The Commission has issued revenue bonds backed by the pledged revenues and restricted assets specified in the bond resolutions. As of Aug. 31, 2015, CTTS had $2.9 billion of outstanding revenue bond debt. In February 2015, the Commission refunded certain Series 2002-A and all of Series 2012-B bonds and the TIFIA note payable. See Note 4 for more information.

Outstanding Debt Obligations
August 31, 2015 and 2014
(Amounts in Thousands)

	2015	2014
Revenue Bonds Payable	$ 2,943,863	$ 1,702,787
TIFIA Secured Loan Payable	-	1,107,370
Total Outstanding Debt	$ 2,943,863	$ 2,810,157

Bond Credit Ratings

The outstanding bonds of CTTS were rated by each of the three major Nationally Recognized Statistical Rating Organizations. As of Aug. 31, 2015, the CTTS bonds carried the following ratings:

CTTS Credit Ratings
(Amounts in Thousands)

	August 31, 2015			
		Credit Ratings		
Bond Description	Net Outstanding	Moody's	S & P	Fitch
First Tier Revenue Bonds Series 2002-A				
Non-Callable Capital Appreciation Bonds	$429,520	A3	A-	A-
First Tier Revenue Refunding Bonds, Series 2012-A	631,081	A3	A-	A-
First Tier Revenue Refunding Put Bonds, Series 2015-A	261,135	A3	A-	A-
First Tier Revenue Refunding Bonds, Series 2015-B	226,700	A3	A-	A-
First Tier Revenue Refunding Bonds, Series 2015-B, Capital Appreciation Bonds	94,952	A3	A-	A-
Second Tier Revenue Refunding Bonds, Series 2015-C	1,300,475	Baa1	BBB+	BBB
Total	$2,943,863			

NR = not rated

An explanation of the significance of each rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such companies at the time such ratings are given, and the Commission makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such companies if, in the judgment of such companies, circumstances so warrant.

Requests for Information

This financial report is designed to provide a general overview of CTTS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the TxDOT Finance Division at the following address:

Texas Department of Transportation
Finance Division - Accounting Section
125 East 11th Street
Austin, Texas 78701-2483

BASIC FINANCIAL STATEMENTS

CENTRAL TEXAS TURNPIKE SYSTEM
EXHIBIT I - STATEMENT OF NET POSITION
August 31, 2015
(Amounts in Thousands)

	August 31, 2015
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Money Market and Similar Funds	3,561
Restricted Cash and Cash Equivalents (Note 3)	
Money Market and Similar Funds	116,620
Short-Term Investments (Note 3)	231,125
Receivables from Local Governments	50
Accounts Receivable, net	15,560
Interest and Dividends Receivable	343
Due from Other Funds (Note 6)	44,436
Consumable Inventory	1,119
Total Current Assets	412,814
Noncurrent Assets:	
Restricted Investments (Note 3)	114,999
Non-Restricted Investments (Note 3)	30,190
Non-Depreciable Capital Assets (Note 2)	711,050
Depreciable Capital Assets, net (Note 2)	2,038,007
Total Noncurrent Assets	2,894,246
TOTAL ASSETS	3,307,060
DEFERRED OUTFLOW OF RESOURCES	
Loss on Bond Refunding	33,940
TOTAL DEFERRED OUTFLOWS OF RESOURCES	33,940
LIABILITIES	
Current Liabilities:	
Unearned Revenues	1,009
Revenue Bonds Payable (Note 4)	13,912
Interest Payable	4,461
Total Current Liabilities	19,382
Noncurrent Liabilities:	
Revenue Bonds Payable (Note 4)	2,929,951
Total Noncurrent Liabilities	2,929,951
TOTAL LIABILITIES	2,949,333
NET POSITION	
Net Investment in Capital Assets	620,788
Restricted for Debt Service	49,404
Restricted for Other	43,739
Unrestricted	(322,264)
TOTAL NET POSITION	$ 391,667

The accompanying notes to the financial statements are an integral part of this financial statement.

CENTRAL TEXAS TURNPIKE SYSTEM
EXHIBIT II - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the fiscal year ended August 31, 2015
(Amounts in Thousands)

	For the year ended August 31, 2015
OPERATING REVENUES	
Toll Revenue, net	$ 152,306
Fee Revenue	10,952
Total Operating Revenues	163,258
OPERATING EXPENSES	
Salaries	1,163
Professional Fees and Services	4,942
Travel	9
Materials and Supplies	6,074
Communication and Utilities	1,301
Repairs and Maintenance	6,747
Printing and Reproduction	0
Contracted Services	27,557
Advertising	2,148
Depreciation Expense	53,857
Other Operating Expenses	6,458
Total Operating Expenses	110,256
Operating Income	53,002
NONOPERATING REVENUES (EXPENSES)	
Lease Revenue	13
Interest and Investment Income	6,406
Net Change in Fair Value of Investments	(87)
Interest and Amortization Expense	(125,005)
Bond Issuance Expenses	(10,614)
Other Financing Fees	(296)
Other Nonoperating Expenses	(1,829)
Total Nonoperating Revenues (Expenses)	(131,412)
Loss before Capital Contributions and Transfers	(78,410)
CAPITAL CONTRIBUTIONS AND TRANSFERS	
Capital Contributions (Note 6)	2,410
Transfers (Note 6)	1,707
Total Capital Contributions and Transfers	4,117
Change in Net Position	(74,293)
Total Net Position – Beginning	465,960
Total Net Position – Ending	$ 391,667

The accompanying notes to the financial statements are an integral part of this financial statement.

CENTRAL TEXAS TURNPIKE SYSTEM

EXHIBIT III - STATEMENT OF CASH FLOWS

For the fiscal year ended August 31, 2015

(Amounts in Thousands)

		For the year ended August 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$	158,729
Payments to Suppliers for Goods and Services		(54,923)
Payments to Employees		(1,162)
NET CASH PROVIDED BY OPERATING ACTIVITIES		102,644
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Transfers from Other Funds		56,133
Payments for Transfers to Other Funds		(72,365)
NET CASH (USED BY) NONCAPITAL FINANCING ACTIVITIES		(16,232)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Lease Revenue		16
Proceeds from Capital Contributions		200
Proceeds from Debt Issuance, Net of Issuance Costs		1,891,231
Payments for Additions to Land and Roadways		(166)
Payments for Other Financing Costs		(10,910)
Payments for Debt Refunding		(1,807,920)
Payments for Debt Principal		(8,415)
Payments for Debt Interest		(91,992)
NET CASH (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES		(27,956)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments		130,589
Payments to Acquire Investments		(130,507)
Proceeds from Interest and Investment Income, net of fees		6,254
NET CASH PROVIDED BY INVESTING ACTIVITIES		6,336
NET INCREASE IN CASH AND CASH EQUIVALENTS		64,792
CASH AND CASH EQUIVALENTS – BEGINNING		55,389
CASH AND CASH EQUIVALENTS – ENDING	$	120,181

The accompanying notes to the financial statements are an integral part of this financial statement.

CENTRAL TEXAS TURNPIKE SYSTEM

EXHIBIT III - STATEMENT OF CASH FLOWS (continued)

For the fiscal year ended August 31, 2015

		For the year ended August 31, 2015
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$	53,002
Adjustments:		
Depreciation expense		53,857
(Increase) in Accounts Receivable		(4,529)
Decrease in Prepaid Expenses		314
Total Adjustments		49,642
Net Cash Provided by Operating Activities	$	102,644
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Transfer in of capital assets from other fund	$	2,410
Transfer out of capital assets to other agency		(1,829)
Net change in Fair Market Value of Investments		(87)

The accompanying notes to the financial statements are an integral part of this financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements reflect the financial position of the Central Texas Turnpike System (CTTS). CTTS is an enterprise fund of the Texas Department of Transportation (TxDOT), an agency of the state of Texas. The Texas Transportation Commission (Commission), the governing body of TxDOT, has the authority to commit CTTS to various legal agreements.

As of Aug. 31, 2015, CTTS consists of State Highway 130 Segments 1 through 4, State Highway 45 North, the tolled portion of Loop 1 and State Highway 45 Southeast. A portion of the costs of planning, designing, engineering, developing and constructing of the first three elements was financed by bonds issued by the Commission. In fiscal 2013, State Highway 45 Southeast was transferred to CTTS. In the future, at the Commission's discretion, additional projects may be added to CTTS.

CTTS does not have any employees, although labor costs are included in the cost of constructing, operating and maintaining CTTS. When TxDOT staff members perform work on behalf of CTTS, the proportionate cost of that labor is reported as an expense of CTTS. TxDOT's risk financing and insurance programs apply to CTTS.

The records of CTTS are maintained in accordance with the practices set forth in the provisions of the indentures of the outstanding revenue bonds. These practices are modeled after generally accepted accounting principles that are similar to private business enterprises.

Basis of Presentation and Basis of Accounting

The accompanying financial statements were prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

These financial statements present only the financial position, changes in financial position and cash flows of CTTS. They are not intended to, and do not, present fairly the financial position, changes in financial position or cash flows of TxDOT. The reporting period is for the state fiscal year ended Aug. 31, 2015.

CTTS, an enterprise fund of TxDOT, is part of the TxDOT's reporting entity. CTTS does not have any employees and does not make contributions to any retirement plans. TxDOT employees provide all accounting and administrative services for CTTS. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan). No allocation of the pension liabilities and expense for CTTS is deemed necessary or required.

In fiscal 2015, TxDOT adopted GASB No. 68, *Accounting and Financial Reporting for Pensions*, which revises existing standards of accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.

In fiscal 2015, CTTS also implemented GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Adoption of these statements had no impact on the CTTS's financial position.

Fund Structure

The activity of CTTS is reported in a proprietary fund. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

A proprietary fund distinguishes operating from nonoperating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include cost of sales and services, administrative expenses and depreciation on capital assets.

Assets, Deferred Outflows of Resources, Liabilities and Net Position

Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. On the statement of cash flows, cash and cash equivalents are considered to be cash on hand, cash in bank and money market funds with original maturities of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. All investment income, including changes in the fair value of investments, is recognized as nonoperating revenue in the operating statement. See Note 3 for more information.

Accounts Receivable

The accounts receivable asset is mainly comprised of toll operations revenue earned but not yet received by CTTS of $24.9 million, net of an allowance for doubtful accounts of $9.3 million, as of Aug. 31, 2015.

Due from Other Funds

Due from Other Funds mainly reflects CTTS' funds held by the state highway fund as a reserve for future CTTS expenses. See Note 6 for more information.

Receivables from Local Governments

Receivables from local governments are amounts due from local entities for CTTS expenses not yet received as of the fiscal year end. The entire receivables balance as of Aug. 31, 2015 is a receivable from the City of Pflugerville.

Consumable Inventory

Consumable inventory is comprised of toll tags. The consumption method of accounting is used to account for inventory. The costs of these items are expensed when the items are consumed.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund notes/loans, revenue bonds and revenues set aside for statutory or contractual requirements. CTTS may receive funding whose related expenditure is restricted to certain activities. In situations where both restricted and unrestricted resources are available to cover expenses, CTTS will first expend the restricted resources and cover additional costs with unrestricted resources. CTTS reserves the right to selectively defer the use of restricted assets.

Capital Assets

Capital assets, which include buildings, infrastructure, land and permanent land-use rights are capitalized and reported in the financial statements.

Capital assets are assets with a cost above a set minimum capitalization threshold that, when acquired, have an estimated useful life of more than one year. Land, permanent land-use rights and construction in progress do not have a capitalization threshold and are not depreciated. The capitalization thresholds and useful lives of CTTS' depreciable capital assets are as follows:

Capitalization of Assets

Type	Capitalization Threshold	Estimated Useful Life
Buildings and Building Improvements	$100,000	22 years
Infrastructure, Depreciable	$500,000	40 years

All capital assets are capitalized at cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair value at the date of donation. Costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset's useful life are not capitalized.

CTTS uses the depreciation approach for reporting both highways and highway bridges of the infrastructure assets. Under the depreciation approach, infrastructure assets are depreciated over a 40 year life, and certain preservation costs are capitalized. The capitalization threshold of $500,000 is used for both highway bridges and roadways.

CTTS also holds three years of costs in construction in progress at all times. At the fourth year, the first year is moved to depreciable infrastructure. The three year assumption is based on a 2.7 year contract life when using the weighted dollar analysis of project costs and completion dates over the ten year history.

See Note 2 for more information on Capital Assets.

Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets. Loss on refunding debt is reported as deferred outflows of resources.

Unearned Revenues

CTTS, through its toll road operations, has entered into agreements with local governments whereby the local governments transfer funds to CTTS to fund purchases of right-of-way land and related costs. In some instances, the funds are paid for in advance by the local governments. CTTS' policy is to recognize revenue

only when the right-of-way parcels are purchased. Recognition of these monies paid in advance by local governments is contingent upon TxDOT purchasing the parcels for the stated purpose in the agreement.

Revenue Bonds Payable

Revenue bonds payable are reported at par less unamortized discount or plus unamortized premium. Payables are reported separately as either current or noncurrent in the statement of net position. See Note 4 for more information.

Net Position

Proprietary funds report net position as the residual amount in a statement of net position. The categories of net position reported in this report include:

Net Investment in Capital Assets

Net investment in capital assets consists of capital assets, net of accumulated depreciation and deferred outflow of resources, reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted

Restricted net position results when constraints placed on net position's use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law through constitutional provisions or enabling legislation. The restricted component of net position represents restricted assets reduced by liabilities related to those assets.

Unrestricted

Unrestricted net position consists of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Revenues, Expenses, Contributions and Transfers

Operating Revenues

Operating revenues consist of tolls, net of increase in allowance for doubtful accounts of $0.7 million for fiscal 2015, and fees earned by CTTS.

Operating Expenses

Operating expenses include expenses incurred in operating the toll roads and the customer service center, and depreciation on capital assets.

Nonoperating Revenues/Expenses

Nonoperating revenues are mainly comprised of interest and investment revenue and lease revenue. Nonoperating expenses are any expenses not classified as operating, including bond interest expense and accretion on capital appreciation bonds.

Capital Contributions and Transfers

Capital contributions include contributions of capital assets from local governments or other funds of

TxDOT to CTTS. Transfers represent payments made by the state highway fund related to operating and maintenance expenses of CTTS, net of payments out of CTTS to reimburse the state highway fund for payment of those expenses. See Note 6 for more information.

NOTE 2 – CAPITAL ASSETS

The table below presents the composition of CTTS' capital assets, reclassifications, transfers in and additions.

Capital Assets Activity
For the fiscal year ended August 31, 2015
(Amounts in Thousands)

	Balance 09/1/2014	Reclassifications	Additions	Deletions	Balance 08/31/2015
Non-Depreciable Capital Assets					
Land	$ 668,634	$	$ 174	$ (1,829)	$ 666,979
Construction in Progress	30,379	(8,177)	2,403		24,605
Land Use Rights	19,466				19,466
Depreciable Capital Assets					
Buildings	8,360				8,360
Infrastructure	2,250,982	8,177			2,259,159
Less Accumulated Depreciation:					
Buildings	(3,035)		(361)		(3,396)
Infrastructure	(172,620)		(53,496)		(226,116)
Total Capital Assets	$ 2,802,166	$ -	$ (51,280)	$ (1,829)	$ 2,749,057

NOTE 3 - DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

TxDOT is authorized by statute to make investments following the "prudent person rule". TxDOT has complied, in all material respects, with statutory authorization, bond documents, constraints and commission policies during the period.

Deposits

CTTS had no cash in bank as of Aug. 31, 2015.

Investments

As of Aug. 31, 2015, the fair value of investments and maturities are as follows.

Investment Fair Value and Maturities
(Amounts in Thousands)

	August 31, 2015		
	Maturities (in Years)		Fair Value
Investment Type	Less than 1	1 or More	Total
Money Market Mutual Funds	$120,181		$120,181
Investment Pools	231,125		231,125
Government Securities		20,198	$20,198
Government Sponsored Entities		9,992	$9,992
Repurchase Agreement		114,999	114,999
Total	$351,306	$145,189	$496,495

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy states that all securities purchased by the Commission shall be designated as assets of the Commission and shall be protected through the use of a third-party custody/safekeeping agent, which may be a Trustee.

The repurchase agreement is collateralized with U.S. Government and Agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup Global Markets Inc. (the direct counterparty), held in trust for the Commission. Citigroup Global Markets Inc. is rated Baa1, A- and A as of Aug. 31, 2015 by Moody's, Standard and Poor's (S & P) and Fitch Ratings respectively.

Credit Risk - Investments

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy prohibits the Commission from entering into long-term investment agreements or other ongoing investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long-term rating category of less than "A" and that does not have at least one long-term rating of at least "AA" by a nationally recognized statistical rating organization (NRSRO). All investments made by the Commission have been made through a firm on the then-current list of qualified financial institutions approved by the Commission.

The Commission's policy does not limit the amount of investment in obligations of the United States or its agencies. The repurchase agreement is a guaranteed investment contract (GIC) with Citigroup Global Markets Inc. as the counterparty. In addition, Citigroup Global Markets Inc. has collateralized the GIC with U.S. Government and Agency securities.

As of Aug. 31, 2015, CTTS' investments had the following ratings:

Investments Exposed to Credit Risk
(Amounts in Thousands)

	August 31, 2015			
		Credit Ratings		
Investment Type	Fair Value	Moody's	S & P	Fitch
Money Market Mutual Funds				
JPMorgan US Govt MMKT Cap 3164	$120,181	Aaa-mf	NR	AAAmmf
Investment Pools				
TexPool	66,850	NR	AAAm	NR
TexPool Prime	87,075	NR	AAAm	NR
Lone Star	77,200	NR	AAAm	NR
Government Securities				
United States Treasury Note	20,198	Aaa	AA+u	AAA
Government Sponsored Entities				
Federal Home Loan Mortgage Corp	9,992	Aaa	AA+	AAA
Repurchase Agreement				
Citigroup Global Markets, Inc.	114,999	Baa1	A-	A
Total	$496,495			

NR = not rated

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The only investment that the Commission holds that exceeds five percent of the total investments is the repurchase agreement. This investment constitutes 23.2% of the total investment portfolio as of Aug. 31, 2015, and is held primarily for the CTTS debt service reserve fund, which has a long-term duration and a specific purpose.

The Commission addresses diversification in the Commission's Investment Policy. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission has addressed interest rate risk in its various accounts by matching as closely as possible anticipated cash flows with income and return of principal on investments. In general, all securities held by the Commission are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Investment maturities are noted in the investment fair value table.

NOTE 4 - SUMMARY OF LONG-TERM LIABILITIES

As of Aug. 31, 2015, CTTS had five bond issues outstanding. Additional detail is provided in the sections that follow. As detailed below, the following changes occurred in long-term liabilities during the year ended Aug. 31, 2015.

Changes in Bonds Payable
For the fiscal year ended August 31, 2015 (Amounts in Thousands)

	Bonds Outstanding 08/31/2014	Adjustments*	Bonds Issued**	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 08/31/2015	Due Within One Year
Revenue Bonds Payable	$1,702,787	$206,101	$1,709,548	($8,415)	($666,158)	$2,943,863	$13,912
Loans Payable	1,107,370		5,604		(1,112,974)	-	
Total	$2,810,157	$206,101	$1,715,152	($8,415)	($1,779,132)	$2,943,863	$13,912

*Includes current year amortization of premiums and discounts.
** Includes current year amortization of accretion.

Revenue Bonds

Transportation Code, Chapter 228 Subchapter C authorized the Commission to issue revenue bonds to pay a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of CTTS. The Series 2002-A, 2012-B, 2015-A and 2015-B First Tier bond obligations are payable from and secured solely by a first lien on and pledge of the trust estate consisting of all project revenues and all project earnings including investment earnings deposited into the revenue fund, construction fund (except for any amounts held in a sub-account containing monies derived from the state highway fund or any monies received by the Commission that are restricted to another use), the debt service fund, the debt service reserve fund, the rate stabilization fund, and the general reserve fund. The Second Tier obligations, which initially consist only of the Series 2015-C Bonds, are payable solely from and secured by a lien on, pledge of and security interest in the Trust Estate, but the lien, pledge and security interest securing the Second Tier obligations is subordinate and junior to the lien, pledge and security interest securing the First Tier obligations.

Miscellaneous Bond Information
(Amounts in Thousands)

Description of Issue	Bonds Issued to Date	Date Issued	Range of Interest Rates		Maturities First Year	Maturities Last Year	First Call Date
First Tier Revenue Bonds Series 2002-A							
Non-Callable Capital Appreciation Bonds	$ 575,969	8/29/2002	4.47%	5.75%	2012	2030	n/a
Callable Capital Appreciation Bonds	325,494	8/29/2002	6.00%	6.10%	2025	2038	8/15/2012
First Tier Revenue Refunding Bonds, Series 2012-A	585,330	11/27/2012	4.00%	5.00%	2038	2041	8/15/2022
First Tier Revenue Refunding Put Bonds, Series 2012-B	225,000	11/27/2012	1.25%	1.25%	2042	2042	2/15/2015
First Tier Revenue Refunding Put Bonds, Series 2015-A	225,000	2/4/2015	5.00%	5.00%	2041	2042	4/1/2020
First Tier Revenue Refunding Bonds, Series 2015-B	198,025	2/4/2015	5.00%	5.00%	2032	2037	8/15/2024
First Tier Revenue Refunding Bonds, Series 2015-B, Capital Appreciation Bonds	94,952	2/4/2015	4.36%	4.38%	2036	2037	8/15/2024
Second Tier Revenue Refunding Bonds, Series 2015-C	1,157,320	2/4/2015	5.00%	5.00%	2022	2042	8/15/2024
Total	$ 3,387,090						

Neither the state, Commission, TxDOT nor any other agency or political subdivision of the state is obligated to pay the principal, premium, discount or interest on the CTTS revenue bond obligations except from the trust estate. The bond indenture does not create a mortgage on the CTTS. Debt service requirements for the First Tier Revenue Bonds as of Aug. 31, 2015, are detailed in the following table.

Debt Service Requirements - Revenue Bonds (Amounts in Thousands)

Year	Principal	Interest	Total
2016	$ 1,745	$ 107,051	$ 108,796
2017	7,885	107,051	114,936
2018	14,225	107,051	121,276
2019	20,365	107,051	127,416
2020	26,715	107,051	133,766
2021-2025	272,180	533,957	806,137
2026-2030	520,635	521,995	1,042,630
2031-2035	743,575	442,778	1,186,353
2036-2040	1,066,195	267,420	1,333,615
2041-2045	499,250	37,751	537,001
	3,172,770	2,339,156	5,511,926
Unamortized Accretion	(482,623)		(482,623)
Unamortized Premium	253,716		253,716
Total	$ 2,943,863	$ 2,339,156	$ 5,283,019

Pledged Future Revenues

Pledged revenues are those specific revenues that are formally committed to directly secure the payment of bond debt service. The table below provides information on pledged revenue and pledged future revenue of the CTTS revenue bonds.

Pledged Future Revenue (Amounts in Thousands)

	August 31, 2015
Pledged Revenue Required for Future Principal and Interest on Existing Bonds	$5,511,926
Term of Commitment, Year Ending Aug. 31:	2042
Percentage of Revenue Pledged	99.86%
Current Year Pledged Revenue	$169,438
Current Year Principal and Interest Paid	$79,778

Put Bonds

In February 2015, the Commission issued the Central Texas Turnpike System Series 2015-A refunding put bonds. The proceeds were used to refund a portion of the CTTS Series 2002-A capital appreciation bonds and the CTTS Series 2012-B put bonds. The Series 2015-A bonds were issued in a multiannual mode which terminates on the mandatory tender date of April 1, 2020. At the termination of the initial multiannual period, the Series 2015-A bonds are subject to mandatory tender and purchase. Upon such mandatory tender and purchase, the Series 2015-A bonds are expected to be remarketed unless otherwise redeemed.

The Commission has not provided any credit or liquidity facility for the payment of the purchase price of the bonds payable upon the mandatory tender date. The principal portion of the purchase price for the bonds is expected to be obtained from the remarketing proceeds. The obligation of the Commission to purchase the bonds on the mandatory tender date is subject to the successful remarketing of such bonds. The Commission has no obligation to purchase bonds except from remarketing proceeds.

If the bonds are not remarketed, the interest rate on the bonds will be increased to the stepped coupon rate of 8 percent per annum. The impact of such a rate change to the debt service payments on the bonds is disclosed below.

Put Bonds (Amounts in Thousands)

Description of Issue	Mandatory Tender Date	Initial Rate	Initial Period Interest	Stepped Coupon Rate	Stepped Rate Period Interest**
Central Texas Turnpike System					
First Tier Revenue Put Bonds, Series 2015-A	4/1/2020	5.00% per annum*	$11,250	8.00% per annum	$18,000

*Multiannual Mode

**Assumes a full year of interest

Refunding

The Commission authorized the issuance of revenue refunding bonds with the Seventh Supplemental Indenture of Trust, dated as of Jan. 1, 2015 to refund certain outstanding Series 2002-A and all of Series 2012-B bonds and the TIFIA note payable. The Commission issued refunding bonds Series 2015-A, Series 2015-B and Series 2015-C with par values of $225 million, $226 million and $1.16 billion, respectively, for a total par amount of $1.6 billion. The premium associated with the Series 2015-A, Series 2015-B and Series 2015-C was $37.5 million, $94.8 million and $150.6 million, respectively, and the underwriter's discount associated with the transaction amounted to $8.1 million, resulting in a net proceeds amount of $1.88 billion. The issuance closed on Feb. 4, 2015.

Refunding Issues
(Amounts in Thousands)

Description	Type of Refunding	Redemption Date	Par Value Refunded		Par Value of Refunding Issue			Cash Flow Increase/ (Decrease)	Economic Gain/(Loss)
					Series 2015-A	Series 2015-B	Series 2015-C		
Series 2002-A	Advanced	2/4/2015	441,158	*	31,300	290,643	100,835	278,645	124,602
Series 2012-B	Current	2/4/2015	225,000		193,700	-	-	72,477	35,534
TIFIA Note	Current	2/4/2015	1,112,974	*	-	-	1,056,485	596,844	223,718
CTTS Total			1,779,132		225,000	290,643	1,157,320	947,966	383,854

* Includes life to date amortization of accreted interest.

Defeased Bonds

The Commission has defeased various bond issues by placing funds in irrevocable trusts with external financial institutions to provide for all future debt service payments on the old bonds. As of Aug. 31, 2015, the amount of CTTS defeased bonds that remains outstanding consists of capital appreciation bonds of $115.0 million, including $29.3 million accreted interest.

NOTE 5 - EMPLOYEES' RETIREMENT PLANS

CTTS, an enterprise fund of the Texas Department of Transportation (TxDOT), is part of the TxDOT's reporting entity. CTTS does not have any employees and does not make contributions to any retirement plans. TxDOT employees provide all accounting and administrative services for CTTS. Those employees are members of the Employee Retirement System of Texas defined benefit pension plan (ERS Plan). CTTS is not obligated in any form for the funding of the pension benefits provided by the ERS Plan. No allocation of the pension liabilities and expense for CTTS is deemed necessary or required.

The ERS Plan is considered a single employer defined benefit plan under GASB Statement 68. The defined benefit provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The

details of the pension plans are disclosed in TxDOT's Note 9, Employees' Retirement Plan, according to the requirements of GASB 68.

NOTE 6 – CAPITAL CONTRIBUTIONS, TRANSFERS and DUE FROM OTHER FUNDS

Contributions from the state highway fund for capital assets totaled $2.4 million for fiscal 2015, mostly comprised of construction on an interchange on State Highway 45 North at O'Connor.

Transfers represent contributions from the state highway fund for operations and maintenance expenses, net of any reimbursements from CTTS back to the state highway fund. For fiscal 2015, the state highway fund contributed $56.7 million. These contributions were offset by reimbursements from CTTS to the state highway fund of $55.0 million, for fiscal 2015.

Due from other funds totaled $44.4 million at the end of fiscal 2015 as detailed in the following table:

Due From the State Highway Fund (Amounts in Thousands)	August 31, 2015
Operating, Maintenance and Reserve Maintenance accounts	$43,730
Veterans Waiver Program Reimbursement	706
Total Due From	$44,436

NOTE 7 – CONTINUANCE SUBJECT TO REVIEW

TxDOT is currently subject to a continuance review. Under the Texas Sunset Act, TxDOT will be abolished effective Sept. 1, 2017, unless continued in existence by the 85th Legislature as provided by the Act. If abolished, TxDOT may continue until Sept. 1, 2018, to close out its operations. In the event that TxDOT is abolished pursuant to the Texas Sunset Act or other law, Texas Government Code, Section 325.017(f), acknowledges that such action will not alter the obligation of the state to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 8 – COMMITMENTS & CONTINGENCIES

Arbitrage

Arbitrage earnings, defined as earnings on tax exempt bond proceeds in excess of the yield on the bonds, must be repaid to the federal government per Internal Revenue Code Section 148(f) (IRC §148). Pursuant to the Indenture of Trust, a Rebate Fund will be established under the Indenture to which deposits will be made upon the determination by a verification agent that a rebate payment may be due pursuant to IRC §148.

Per IRC §148, the amount of rebate due the federal government is determined and payable at the end of each five-year computation period and upon final payment of the tax exempt bonds. For Series 2002-A and Series 2002 BANs, an interim determination was made in 2007 that no arbitrage rebate was then due to the federal government. For Series 2009 bonds, which were completely refunded, a determination was made in 2013 that no arbitrage rebate was due. Further analysis and determination of rebate payments due, if any, will be made on the next scheduled computation date for each series of bonds under the Indenture.

Lawsuits and Claims

CTTS is contingently liable in respect to lawsuits and claims in the ordinary course of business which, in the opinion of TxDOT's management, will not have a material adverse effect on the financial statements.

NOTE 9 - RISK FINANCING & RELATED INSURANCE

CTTS does not have any employees. TxDOT provides all accounting, debt financing and administrative services. In addition, TxDOT's risk financing and insurance programs apply to CTTS.

TxDOT is exposed to a wide range of risks due to the size, scope and nature of its activities. Some of these risks include, but are not limited to, property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc. CTTS self-insures through funds on deposit within the Rate Stabilization Fund. The amount of funds held on deposit in the rate stabilization fund for self-insurance has been certified as actuarially sound by the Madison Consulting Group. To date, CTTS has not had to draw upon the funds in the rate stabilization fund to settle any claims and therefore settlements have not exceeded self-insurance coverage.

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