

SPECIAL PROJECTS SYSTEM

(An enterprise fund of the North Texas Tollway Authority)

SINGLE AUDIT REPORT

August 31, 2013

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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
North Texas Tollway 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 the Special Projects System (the "SPS"), an enterprise fund of the North Texas Tollway Authority (the "Authority"), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the SPS's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SPS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SPS's internal control. Accordingly, we do not express an opinion on the effectiveness of the SPS'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 SPS'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 SPS'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 SPS'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 SPS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Irving, Texas
December 12, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
North Texas Tollway Authority

Report on Compliance for Each Major Federal Program

We have audited Special Projects System's (the "SPS"), an enterprise fund of the North Texas Tollway Authority (the "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 the SPS's major federal programs for the year ended August 31, 2013. The SPS'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the SPS'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 the SPS'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 the SPS's compliance.

Opinion on Each Major Federal Program

In our opinion, the SPS 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 identified in the summary of auditors' results section of the schedule of findings and questioned costs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the SPS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the SPS'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 the SPS'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 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 or significant deficiencies may exist that were not identified.

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

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

We have audited the financial statements of the SPS as of and for the year ended August 31, 2013, and have issued our report thereon dated December 12, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Irving, Texas
December 12, 2013

SPECIAL PROJECTS SYSTEM
An enterprise fund of the North Texas Tollway Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Expenditures
FEDERAL AWARDS		
U.S. DEPARTMENT OF TRANSPORTATION:		
Federal Highway Administration:		
Transportation Infrastructure Finance and Innovation Act Program (TIFIA Loan)	20.223	\$ 399,968,010
American Recovery and Reinvestment Act of 2009 (ARRA) Transportation Investments Generating Economic Recovery Discretionary Grant Program (TIGER)	20.932	9,076,429
TOTAL FEDERAL EXPENDITURES		<u>\$ 409,044,439</u>

See Notes to Schedule of Expenditures of Federal Awards.

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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2013

(1) Basis of accounting

The accompanying schedule of expenditures of federal awards presents the federal grant activity of the North Texas Tollway Authority (the "Authority") - Special Projects System (the "SPS") an enterprise fund of the North Texas Tollway Authority and is presented on the accrual basis of accounting.

(2) TIFIA Loan and TIGER Discretionary Grant Reconciliation

TIFIA Loan

This loan of federal funds funded on August 16, 2013 in the amount of \$399,968,010 was made by the United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act Program (TIFIA) to refund the Taxable Bond Anticipation Notes, Series 2011, (BANS) issued by the Authority in conjunction with the construction of President George Bush Turnpike Western Extension. (PGBT-WE)

TIFIA expenses per basic statements	\$ 0
Total expenditures per Schedule of Expenditures of Federal Awards	\$ 399,968,010
TIFIA loan pay down of BANS	<u>\$ (399,968,010)</u>
Reconciled to basic financial statements	<u>\$ 0</u>

TIGER Discretionary Grant

This grant of federal funds was made by the United States Department of Transportation (USDOT) under the American Recovery and Reinvestment Act of 2009, Supplemental Discretionary Grants for a National Surface Transportation System, hereinafter referred to as the "Tiger Discretionary Grant Program" (TIGER) to pay the subsidy and administrative costs associated with receiving a TIFIA Loan to improve the transportation network and mobility in the area and region.

TIGER Discretionary Grant expenses per basic financial statements	\$ 9,076,429
Total expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 9,076,429</u>

Special Projects System
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No
Significant deficiency(ies) identified ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No

Federal Awards

Internal Control over major program:

Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> X	None Reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? Yes X No

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.223	Transportation Infrastructure Finance and Innovation Act Program (TIFIA)
20.932	American Recovery and Reinvestment Act of 2009 (ARRA) Transportation Investments Generating Economic Recovery Discretionary Grant Program (TIGER)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2013

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Findings and Questioned Costs

None