HARRIS COUNTY TOLL ROAD AUTHORITY

ENTERPRISE FUND

A DEPARTMENT OF HARRIS COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS

For the fiscal year ended
February 28, 2017

Prepared By:
Michael Post, CPA, MBA
County Auditor

HARRIS COUNTY TOLL ROAD AUTHORITY

Toll Road Authority Enterprise Fund of Harris County, Texas

Financial Statements As of February 28, 2017 and for the Year Then Ended and Independent Auditors' Report

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2017

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BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2017

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INTRODUCTORY SECTION

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HARRIS COUNTY AUDITOR

August 25, 2017

Honorable District Judges of Harris County, Honorable Members of the Harris County Commissioners Court, and Citizens of Harris County, Texas

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of the Harris County Toll Road Authority Enterprise Fund (the "Authority"), a department of Harris County, Texas (the "County") for the fiscal year ended February 28, 2017. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office. The Basic Financial Statements of the Authority includes all disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities. The information and data contained herein are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the Toll Road Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP").

The Financial Statements consists of management's representations concerning the finances of the Toll Road Authority, a department of Harris County, and management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide reasonable basis for making these representations, management of the Toll Road Authority has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The Toll Road Authority's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for fiscal year ended February 28, 2017, are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the Toll Road Authority's financial statements are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first component of the financial section of this report. Management's discussion and analysis (MD&A), which immediately follows the independent auditor's report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE AUTHORITY

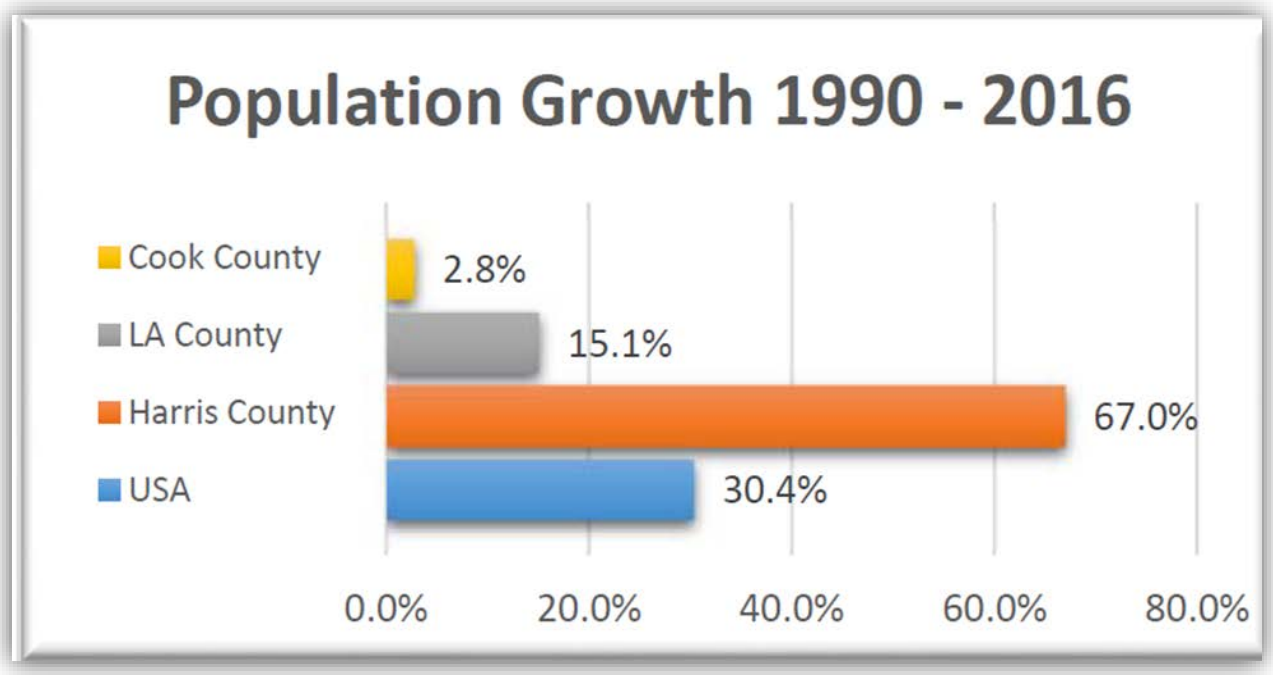
History, Location, and Population

The Harris County Toll Road Authority was established in 1983 by the Harris County Commissioners

Court pursuant to Chapter 284 of the Texas Transportation Code. Also in 1983, Harris County voters authorized issuance of up to $900 million in bonds to construct, operate and maintain toll roads in Harris County.

The Harris County Toll Road Authority operates and maintains the roadways listed below. The six-mile Tomball Tollway opened in 2015 along the State Highway 249 corridor between Spring Cypress Road and Farm to Market Road 2920. The Katy Managed Lanes extend 12 miles from State Highway 6 to Interstate 610. The Sam Houston Tollway is the second-most outer loop encompassing the City of Houston and surrounding areas within Harris County and spans a distance of 70 miles. Harris County's 13 mile segment of the Westpark Tollway begins at Interstate 610 and extends to the County line and offering an alternative east-west corridor for West Houston residents. The Hardy Toll Road generally parallels Interstate 45 and spans approximately 21 miles with an additional 2 miles connecting it to George Bush Intercontinental Airport.

Harris County is located in the upper Gulf Coast in Southeast Texas approximately 50 miles from the Gulf of Mexico. The County's population has grown to an estimated 4.6 million residents. Harris County continues to be the nation's third largest county in terms of population and one of the fastest growing counties with 67% growth since 1990. Over a 26-year period, Harris County's population has grown more than twice as fast as the nation's population. This growth has created transportation challenges that the Harris County Toll Road Authority is responding to by connecting communities and improving mobility through a commitment to excellence in the operation of a toll road system.



Authority Structure and Services

The Authority relies on charges from users of the toll road system to fund operations, debt service, and future projects.

The Authority is organized into multiple operating units, all of which report directly to the Executive Director: (i) Infrastructure Support; (ii) Engineering; (iii) Customer Service; (iv) Administrative Services and Toll Operations; (v) Finance; (vi) Communications; (vii) Maintenance and Traffic Engineering; and

(viii) Human Resources. The Authority currently has approximately 1,100 employees of which approximately 798 are full-time employees.

Budget Process

In accordance with Chapter 111 of the Texas Local Government Code, the County prepares and adopts an annual operating budget, which serves as a financial plan for the Authority for the new fiscal year beginning March 1. The County Auditor is responsible for the preparation of the annual estimate of available resources for the County (including the Toll Road Authority) to be used in the preparation of the annual budget. The County budget (including the Toll Road budget) may not exceed the available resources of the County funds as determined by the County Auditor. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring the expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the Toll Road Authority is at the fund level. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money, for capital projects through the issuance of bonds, for intergovernmental contracts, and for new source revenue not anticipated at budget adoption. Encumbrance accounting is utilized to ensure effective budgetary control and accountability.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

Economic conditions have a direct impact on the County's revenues and demand for services. Harris County has experienced tremendous growth since the start of the 21st century with an expanding, diversified local economy that has outperformed most of the country. The energy business has played a large part in this growth, along with the relatively low cost of living, affordable housing, and an expanding transportation system.

The Houston region is designated as the Houston-Woodlands-Sugar Land Metropolitan Statistical Area (MSA), and comprises Harris County and eight other counties. The U.S. Bureau of Economic Analysis estimates metro Houston's Gross Domestic Product (GDP) at approximately $503.3 billion. If the MSA were an independent nation, its economy would rank 23rd largest in the world. Twenty-four companies on the 2016 Fortune 500 list are headquartered in Houston; only the New York and Chicago MSAs have a greater concentration. No single industry dominates Houston employment.

Oil prices fell below $70 per barrel starting in late 2014 and continue to remain at this lower level. The current price of West Texas Intermediate (WTI) crude oil as of March 2017 is approximately $49 per barrel, which is an increase from March 2016 per the U.S. Energy Information Administration.

The preliminary March 2017 unemployment rate (not seasonally adjusted) for the Houston MSA was 5.7% compared to the national average of 4.6%. The State's preliminary unemployment rate (not seasonally adjusted) for March 2017 was 5%. Both the Houston MSA and the State of Texas unemployment rates increased from their March 2016 levels of 4.9% and 4.5%, respectively.

The Houston-Galveston-Brazoria, Texas area had a Consumer Price Index (CPI) that was 2% lower than other large urban areas as calculated for February 2017 by the Bureau of Labor Statistics. The Houston area's lower CPI is due in part to a lower CPI for housing, fuel, and utilities than other large urban areas.

Houston has one the world's busiest ports and an excellent airport system that are integral components of the regional economy. The Port of Houston is the tenth largest port in the world. The Port of Houston includes the Houston ship channel, which connects the Houston area terminals and the Gulf of Mexico, and is the location of one of the world's largest petrochemical complexes. The Houston Airport System includes three airports and has nonstop flights from Houston to 190 destinations and five continents. The airport

system served 54.5 million passengers during 2016, of which 21% were international passengers.

Per the Multiple Listing Service of the Houston Association of Realtors, "the Houston real estate market enjoyed across-the-board gains in all statistical indictors during the month of March 2017, with single-family home sales, total property sales, total dollar volume and pricing all up versus March 2016." Total property sales increased 10.5% and total dollar volume of sales increased 15.7% during this time-period.

Financial Policies and Long-Term Financial Planning

Some of the County's financial policies are:

- The County will continue to focus on building a strong balance sheet to maintain both financial stability and current high bond ratings, as well as allocating resources to "be prepared" for flood, hurricanes, or similar unexpected events;

- It is likely that the County has sufficient resources to not issue any Tax Anticipation Notes during Fiscal Year 2017-2018;

- Budget Management will review the collection procedures, contracts, and balances for all components of the County's accounts receivable, including fines, fees, tolls, and notes receivable related to the County and the Harris County Toll Road Authority, the Harris County Sports Corporation, and the Harris County Sports Authority.

Key elements in maintaining the County's financial strength and high bond rating are the County's management of investments and debt (including the investments and debt of the Toll Road Authority). The Harris County Investment Policy, including investment strategies, is reviewed and approved at least annually by Commissioners Court. Additional information regarding the County's investment and debt management has been included in Note 2 of the notes to the Authority's financial statements, Deposits and Investments, and Note 7 of the notes to the Authority's financial statements, Long-Term Liabilities.

Risk management and self-insurance with stop-loss policies (as applicable) for medical, workers' compensation, and property continue to be effective. Various actuarial studies are periodically performed to aid in liability calculation, as well as financial planning.

The County provides retirement for all of its employees (excluding temporary employees) through the County and District Retirement System (TCDRS). The County's net pension liability at February 28, 2017, was $741,699,679, which includes the Authority's net pension liability of $26,341,183. The County currently provides a post-employment healthcare plan; the net ending obligation for this post-employment healthcare plan was $647,659,984 at February 28, 2017, which includes $33,926,229 for the Authority. Additional information regarding the County's retirement plan and post-employment healthcare plan is located in Notes 8 and 9 of the notes to the Authority's financial statements.

Major Initiatives

The Harris County Toll Road Authority's Fiscal Year 2017-2018 capital improvement program includes:

- $30.7 million allocated for the Hardy Toll Road- Downtown Connector (Phase I)
- $238.5 million for the widening Sam Houston Tollway (East)
- $567 million budgeted for the Ship Channel Bridge (Sam Houston Tollway)
- $44.5 million for system-wide roadway improvements

ACKNOWLEDGMENTS

The timely completion of this report could not have been achieved without the dedicated efforts of the Auditor's Office and the professional services provided by our independent auditor, Deloitte & Touche LLP. I wish to express my gratitude to the Commissioners Court, District Judges, and other County officials and departments for their interest and support in planning and conducting the financial affairs of the Authority in a responsible and professional manner.

REQUEST FOR INFORMATION

This financial report is designed to provide an overview of the Authority's finances for individuals who are interested in this information. Questions concerning any of the data provided in this report should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002. Additional financial information is provided on the County Auditor's webpage, which can be accessed from the County's website, www.co.harris.tx.us.

Michael Post, C.P.A.
County Auditor

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

County Judge Ed Emmett
and Members of Commissioners Court of Harris County, Texas:

Report on the Financial Statements

We have audited the accompanying financial statement of net position of the Toll Road Authority (the "Authority" or "Toll Road") Enterprise Fund of Harris County, Texas (the "County"), as of February 28, 2017, and the related statements of revenues, expenses, and change in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Toll Road'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 respective financial position of Toll Road as of February 28, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 7-14, and the Other Post Employment Benefits – Schedule of Funding Progress, Schedule of Changes in Net Pension Liability and Related Ratios, and the Texas County and District Retirement System – Schedule of Employer Contributions on pages 47-50 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Toll Road's basic financial statements. The Introductory Section and Other Information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory and Other Information 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 them.

Deloitte & Touche LLP

August 25, 2017

This section of the Toll Road Authority Enterprise Fund of Harris County financial statements presents management's discussion and analysis ("MD&A") of the financial performance of the Harris County Toll Road Authority ("Authority") during the fiscal year ended February 28, 2017.

The Authority is an enterprise fund of Harris County, Texas (the "County") and is included in the County's financial statements. This analysis presents information about the Authority and its operations and activities only and is not intended to provide information about the entire County. Please read this section in conjunction with the financial statements and related footnotes following this section.

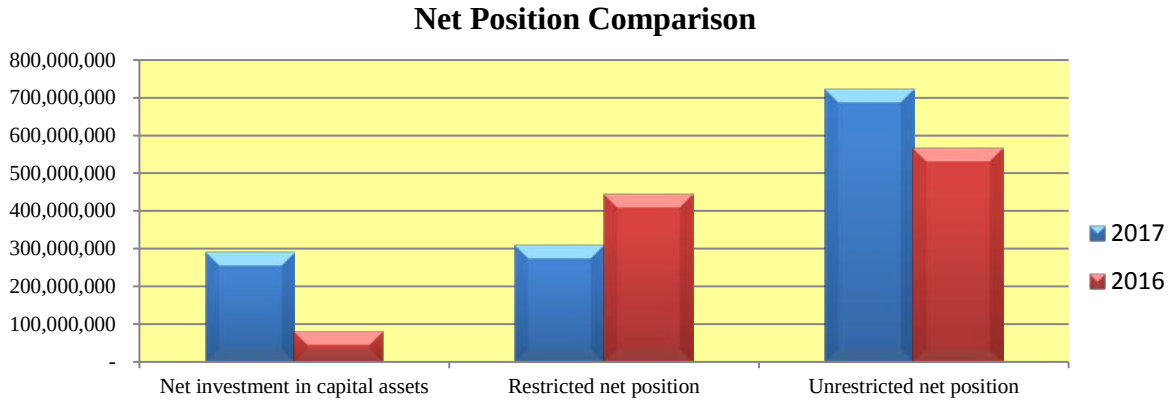
FINANCIAL HIGHLIGHTS

- Total net position is comprised of the following:

  (1) Net investment in capital assets of $290,476,431, includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net position increased $208,831,229 from the previous year, primarily due to various ongoing construction projects throughout Harris County related to the Toll Road.

  (2) Net position of $309,648,964 is restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net position decreased by $133,088,526 from the prior year primarily due to a decrease in restricted capital projects.

  (3) Unrestricted net position of $722,001,787 represents the portion available to meet ongoing obligations of the Authority. Unrestricted net position increased $155,024,218 from the previous year.



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of 1) Financial statements and 2) Notes to the basic financial statements.

Financial Statements for the Authority include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Since the Authority is an enterprise fund, its financial statements are presented with a flow of economic resources measurement focus and use the accrual basis of accounting. Funds are a self-balancing set of accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to account for resources that are segregated for specific purposes in accordance with special regulations, restrictions, or limitations. The Authority is used to account for the acquisition, operation and maintenance of toll roads within Harris County.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found beginning on page 18 of this report.

FINANCIAL ANALYSIS

The total net position of the Authority exceeded liabilities and deferred inflows of resources at February 28, 2017 by $1,322,127,182 and $1,091,360,261 for fiscal year ended 2016. Revenues exceeded expenses during the current year, increasing net position by $230,766,921.

Harris County Toll Road Authority Enterprise Fund
Condensed Statement of Net Position
February 28, 2017 and February 29, 2016
(Amounts in thousands)

	2017	2016
Current assets	$ 961,016	$ 929,867
Capital assets, net	2,367,866	2,242,988
Other non-current assets	279,884	308,070
Total assets	3,608,766	3,480,925
Deferred outflows of resources	134,456	101,897
Current liabilities	232,003	232,633
Non-current liabilities	2,137,141	2,184,026
Total liabilities	2,369,144	2,416,659
Deferred inflows of resources	51,951	74,803
Net position:		
Net investment in capital assets	290,476	81,645
Restricted	309,649	442,737
Unrestricted	722,002	566,978
Total net position	$ 1,322,127	$ 1,091,360

The largest portion of the Authority's current fiscal year net position is unrestricted net position, which is used for the ongoing operations of the Authority. The remaining balance of the Authority's current fiscal year net position represents restricted net position, which are subject to external restrictions on how they may be used. The Authority's restricted net position is for capital projects, debt service, and operating reserve per debt covenant.

The following table reflects how the Authority's net position changed during the year:

Harris County Toll Road Authority Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Position
(In Thousands)
For the Years Ended February 28, 2017 and February 29, 2016

	2017	2016
Revenues:		
Operating revenues:		
Toll revenue	$ 774,026	$ 759,276
Intergovernmental revenue	19,176	2,995
Nonoperating Revenues:		
Investment income	7,001	15,966
Lease revenue	19	19
Miscellaneous revenue	-	46,074
Gain on disposal of capital assets	3,031	-
Total revenues	803,253	824,330
Expenses:		
Operating Expenses:		
Salaries	65,351	57,563
Materials and supplies	20,876	12,595
Services and fees	151,572	150,321
Utilities	3,788	3,540
Transportation and travel	6,980	3,043
Depreciation and amortization	106,852	101,301
Nonoperating Expenses:		
Interest expense	75,454	87,108
Bond Issuance Costs	3,234	1,745
Amortization expense	4,051	2,881
Loss on disposal of capital assets	328	3,164
Total expenses	438,486	423,261
Income before transfers	364,767	401,069
Transfers out	(134,000)	(124,031)
Change in net position	230,767	277,038
Net position - beginning	1,091,360	825,774
Implementation of new accounting standard	-	(11,452)
Net position - beginning, as restated	1,091,360	814,322
Net position - ending	$ 1,322,127	$ 1,091,360

Revenues

Total revenues for fiscal year 2017 were $803,252,595, a decrease of $21,077,021 compared to the previous fiscal year. Revenues from fiscal year 2016 was $824,329,616.

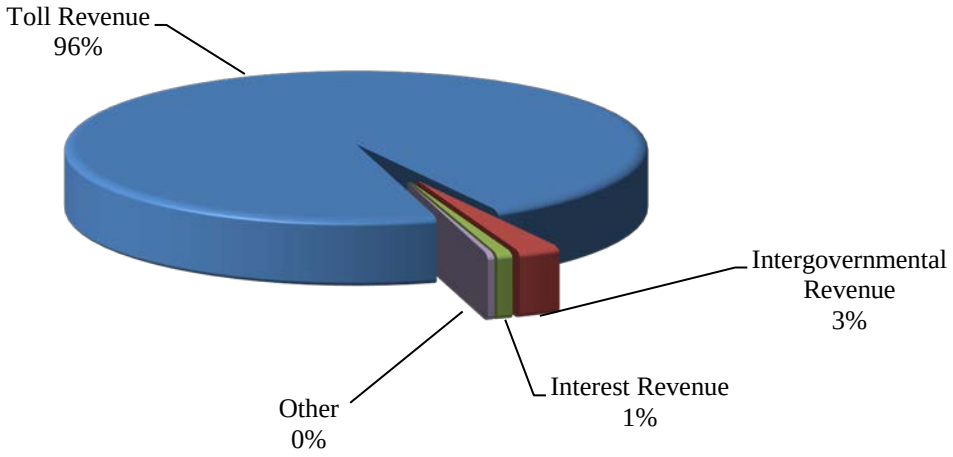
The largest revenue source is toll revenue of $774,025,958 or 96% of total revenues. This revenue category increased $14,750,031 from fiscal year 2016, primarily due to increased usage of the toll roads, such as the Tomball Tollway which opened in April 2015, and a new revenue stream option called the Banc Pass cash-based account system. The biggest increases were noted at the Tomball Parkway ($7M), Sam Houston North/East, ($3.3M), Sam Houston South/West ($1.9M), Westpark Tollway ($993k) and

Sam Houston South/East ($581k). There was an overall increase of $22.3M from EZ tag fees, unpaid tolls, replacement fees, etc., and interlocal agreement programs.

Intergovernmental revenue totaled $19,175,649 or 2.4% of total revenues. This revenue source reflects payment made by the Texas Department of Transportation (TxDOT) for the design and construction of the Hardy Toll Road & Grand Parkway (SH99) interchange, as per the agreement between TxDOT, the Grand Parkway Commission, and HCTRA.

Interest revenue for fiscal year 2017 totaled $7,000,884 and comprises 1% of total revenues. This revenue source decreased by $8,965,022 compared to fiscal year 2016 revenue of $15,965,906, due to matured debt service bonds. Other revenues totaled $3,050,104 or less than 1% of total revenues. Other revenue consists of lease revenue of $18,900 and gain on the disposal of capital assets of $3,031,204 in connection with a segment of the Grand Parkway.

REVENUES BY SOURCE
Year ended February 28, 2017



Expenses

For fiscal year ended February 28, 2017, expenses totaled $438,485,674 an increase of $15,225,066 compared to the prior fiscal year. In fiscal year 2016, expenses totaled $423,260,608.

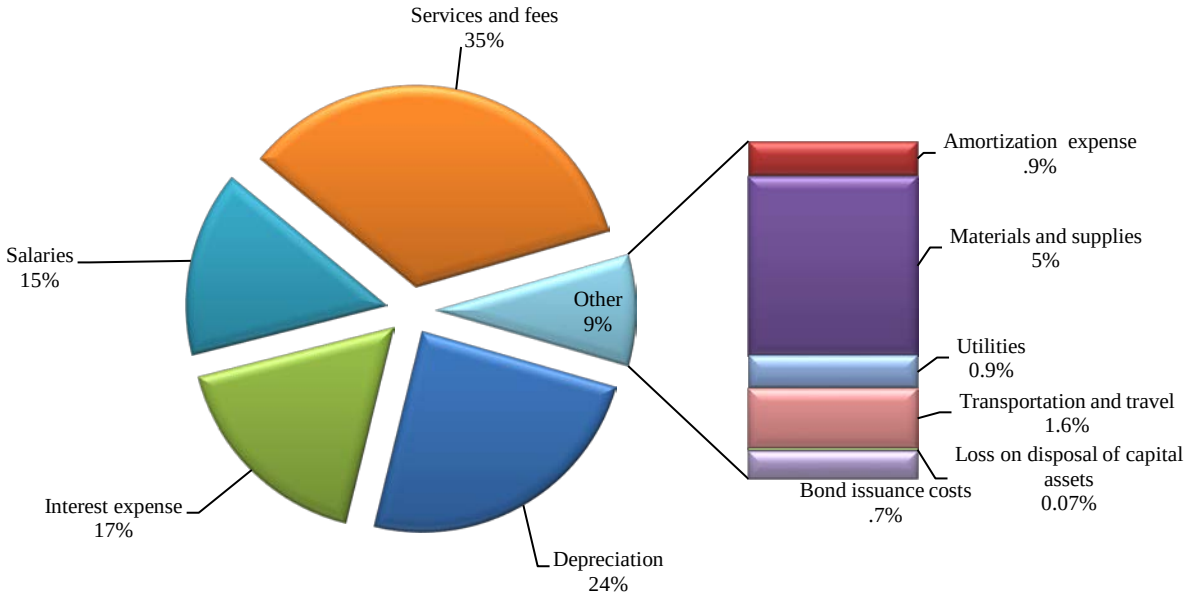
Services and fees of $151,572,050 is the largest expense category and is 35% of total expenses. This increased by $1,250,752 primarily due to increases in building repair and maintenance, software and hardware maintenance and related items.

Interest expense of $75,454,167 is one of the Authority's largest expense categories and is 17% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries expense of $65,351,353 or 15% of total expenses increased by $7,788,580 from fiscal year 2016, due to converting part-time to full-time employees in addition to committing consulting/traffic engineers on various construction projects.

The remaining 33% of expenses consists of depreciation (24%), amortization expense (less than 1%), and other expenses (9%) and consists of outlays relative to materials and supplies, utilities, transportation and travel, bond issuance costs and loss on disposal of capital assets. All of these expense categories are necessary for the operation of the toll road.

EXPENSES
Year Ended February 28, 2017



Transfers

Transfers consisted of transfers out of $134,000,000, which was for funding a county thoroughfare program to increase general mobility.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets net of depreciation as of February 28, 2017 and February 29, 2016, amounted to $2,367,866,546 and $2,242,988,976, respectively. These capital assets include land, construction in progress, intangibles, buildings, equipment, and infrastructure. The Authority's capital assets, net of accumulated depreciation/amortization increased $124,877,570 from fiscal year 2016.

	Balance February 28, 2017	Balance February 29, 2016
Land	$ 76,493,131	$ 57,888,865
Easement	129,962	-
Right-of-way	276,696,094	276,696,094
Construction in progress	495,636,622	295,288,589
License agreement	237,500,000	237,500,000
Land improvements	18,865,805	18,865,805
Infrastructure	2,574,438,539	2,574,449,452
Other tangible assets	19,538,963	29,503,155
Buildings	18,226,713	14,344,930
Equipment	96,358,461	98,747,993
	3,813,884,290	3,603,284,883
Less: Accumulated depreciation/amortization	(1,446,017,744)	(1,360,295,907)
Totals	$ 2,367,866,546	$ 2,242,988,976

For further information regarding capital assets, see Note 6 to the financial statements.

Long-term liabilities

At the end of the fiscal year, the balance of the Authority's total outstanding long-term liabilities and deferred inflows of resources was $2,238,381,723. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	Outstanding at February 28, 2017	Outstanding at February 29, 2016
Bonds payable	$ 2,176,172,225	$ 2,222,767,555
Compensatory time payable	1,119,161	1,160,190
OPEB obligation	33,926,229	29,416,889
Net pension liability	26,341,183	26,473,095
Pollution remediation obligation	822,925	2,119,625
Totals	$ 2,238,381,723	$ 2,281,937,354

The Authority has a continuing goal to upgrade the Authority's debt rating. The bond rating services of Moody's Investor's Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the Authority long term bond ratings of Aaa, AAA, and AAA, respectively, for the Unlimited Tax and Subordinate Lien Bonds and Aa2, AA-, and AA, respectively, for the Senior Lien Revenue Bonds.

See Note 9 and Note 8 to the financial statements for further information on the County's OPEB obligation and Net Pension Liability.

ECONOMIC FACTORS

- Harris County has a vibrant and diverse economy driven largely by the region's energy industry, international export and import shipping through the Port of Houston, two major airports, the Medical Center, and a variety of other industries. These other industries primarily include banking, technology, construction, manufacturing and education.
- The Houston region has recently experienced some of the highest population and Gross Domestic Product (GDP) growth rates in the nation. According to a forecast provided by the Houston Galveston Area Council, population in the Metro Houston area will grow by 1.1 million residents from the 2014 U.S. Census estimate through the year 2025. These underlying factors drive strong demand for transportation infrastructure in the region.
- Metro, a regional transit authority, currently operates an extensive bus and rail fleet serving Harris County and the City of Houston. Metro also offers "park-and-ride" services, which include free automobile parking at suburban Metro lots and bus service to and from Houston's central business district. Metro's High Occupancy Toll ("HOT") lanes and expanded rail service provide some additional alternatives to the Toll Road System.

Major Construction Projects by The Authority:

The Authority continues to expand the Toll Road System to meet growing demand. The following construction projects were underway in fiscal year 2017: 1) Hardy Toll Road extension from IH610 to downtown; 2) Widening of the southeast Sam Houston Tollway; 3) SH249 extension north of FM 2920 to the Harris County line; 4) Widening and extension of the Hardy Toll Road from FM 1960 to the Grand Parkway.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002, or visit the County's website at www.co.harris.tx.us.

BASIC FINANCIAL STATEMENTS

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
FEBRUARY 28, 2017

ASSETS		
Current assets:		
Cash and cash equivalents	$	175,418,065
Investments		757,414,854
Receivables, net		6,033,537
Accrued interest receivable		2,138,847
Other receivables, net		10,310,010
Due from other governmental units		73,265
Prepaids and other assets		3,507,163
Inventories		6,119,936
Total current assets		961,015,677
Non-current assets:		
Restricted cash and cash equivalents		21,238,868
Restricted investments		258,584,642
Notes receivable		60,650
Capital Assets:		
Land and construction in progress		848,955,809
License agreement, net of amortization		199,428,750
Other capital assets, net of depreciation		1,319,481,987
Total non-current assets		2,647,750,706
Total assets		3,608,766,383
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refundings		77,894,852
Pension contributions after measurement date		811,266
Difference in projected and actual earnings on pension assets		9,854,173
Changes in pension assumptions		1,211,022
Unamortized costs on swap liability		44,684,612
Total deferred outflows of resources		134,455,925
LIABILITIES		
Current liabilities:		
Vouchers payable		36,824,094
Accrued payroll and compensated absences		4,362,484
Retainage payable		10,799,555
Customer deposits		198,217
Due to primary government		600,425
Unearned revenue		78,649,035
Current portion of long-term liabilities		100,569,273
Total current liabilities		232,003,083
Non-current liabilities:		
Bonds payable		2,075,602,952
Pollution remediation payable		822,925
Compensatory time payable		447,664
OPEB obligation		33,926,229
Net pension liability		26,341,183
Total non-current liabilities		2,137,140,953
Total liabilities		2,369,144,036
DEFERRED INFLOWS OF RESOURCES		
Difference in projected and actual earnings on pension assets		990,275
Accumulated decrease in fair value of hedging derivatives		50,960,815
Total deferred inflows of resources		51,951,090
NET POSITION		
Net investment in capital assets		290,476,431
Restricted for capital projects		11,252,783
Restricted for debt service		258,572,640
Restricted for operating reserve per bond covenant		39,823,541
Unrestricted		722,001,787
Total net position	$	1,322,127,182

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED FEBRUARY 28, 2017

OPERATING REVENUE	
Toll revenue	$ 774,025,958
Intergovernmental	19,175,649
Total operating revenue	793,201,607
OPERATING EXPENSES	
Salaries	65,351,353
Materials and supplies	20,875,511
Services and fees	151,572,050
Utilities	3,788,013
Transportation and travel	6,979,787
Depreciation and amortization	106,852,470
Total operating expenses	355,419,184
Operating income	437,782,423
NONOPERATING REVENUES	
Investment income	7,000,884
Lease income	18,900
Gain on disposal of capital assets	3,031,204
Total nonoperating revenues	10,050,988
NONOPERATING EXPENSES	
Interest expense	75,454,167
Bond issuance costs	3,233,525
Amortization expense	4,051,144
Loss on disposal of capital assets	327,654
Total nonoperating expenses	83,066,490
Income before transfers	364,766,921
Transfers out	(134,000,000)
Change in net position	230,766,921
Net position, beginning of year	1,091,360,261
Net position, end of year	$ 1,322,127,182

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tolls	$ 798,947,220
Payments to employees	(63,976,053)
Payments to vendors	(192,911,814)
Other payments	(543,019)
Net cash provided by operating activities	541,516,334
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Internal receipts from other funds	(109,093)
Payments to other governments	(792,475)
Transfers to other funds	(134,000,000)
Other receipts	165,914
Net cash used for noncapital financing activities	(134,735,654)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from lease of capital assets	18,900
Purchases of capital assets	(242,022,375)
Gain on disposal of capital assets	(3,574,223)
Principal paid on capital debt	(93,585,000)
Interest paid on capital debt	(82,427,601)
Net cash used for capital and related financing activities	(421,590,299)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,031,929,736)
Proceeds from sale and maturity of investments	983,010,926
Interest received	17,796,878
Bond issuance cost	(18,636)
Net cash used for investing activities	(31,140,568)
Net change in cash and cash equivalents	(45,950,187)
Cash and cash equivalents, beginning	242,607,120
Cash and cash equivalents, ending	$ 196,656,933
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 437,782,423
Adjustments to operations:	
Depreciation and amortization	106,852,470
Other nonoperating revenues	(543,019)
Changes in assets and liabilities:	
Receivables, net	(2,967,222)
Notes and leases receivable	7,581
Prepaids and other assets	(2,127,112)
Inventories	(1,155,945)
Vouchers payable and accrued liabilities	(7,673,126)
Retainage payable	4,709,445
Due to other units	189,775
Other liabilities	(962,680)
Pollution Payable	(1,296,700)
Unearned revenue	8,705,254
Compensatory time payable	(4,810)
Net cash provided by operating activities	$ 541,516,334
Noncash operating, capital and related financing and investing activities:	
Increase in fair value of hedging derivatives	$ 23,615,262
Decrease in the fair value of investments	(5,384,255)
Purchase of capital assets on account	(7,417,789)

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Harris County Toll Road Authority (the "Authority" or "Toll Road") was created by Harris County, Texas, (the "County") by order of the Harris County Commissioners Court on September 22, 1983, with the Commissioners Court designated as the governing body and the operating board of the Authority. The Authority is a department and fund of the County and is charged with overseeing the acquisition, construction, improvement, operation and maintenance of the County toll road facilities (the "Toll Road Project"). The Commissioners Court has full oversight responsibility for the Authority, and the Toll Road Project is an integral part of the County's financial statements. Construction of the Hardy Toll Road, the Sam Houston Tollway, Westpark Tollway and Spur 90A Tollway and acquisition of the Jesse H. Jones Toll Bridge, now referred to as the "Sam Houston Ship Channel Bridge" (the "Toll Roads") have been financed with a combination of unlimited tax and subordinate lien revenue bonds and senior lien revenue bonds. When all of the debt service, as discussed in Note 7, has been paid or provided for in a trust fund, the Toll Roads will become a part of the State of Texas Highway System.

Implementation of New Standards - In the current year, the Authority implemented the following standards issued by the Governmental Accounting Standards Board ("GASB"):

GASB Statement No.72, *Fair Value Measurement and Application* ("GASB 72"), addresses accounting and financial reporting issues related to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes and guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"), establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans,* and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No.76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"), has the objective to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles ("GAAP").

GASB Statement No.78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"), amends the scope of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is also used to provide defined benefit pensions employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No.79, *Certain External Investment Pools and Pool Participants* ("GASB 79"), addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

GASB Statement No.80, *Blending Requirements for Certain Component Units*, clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities.

GASB Statement No.81, *Irrevocable Split-Interest Agreements*, establishes recognition and measurement requirements for irrevocable split-interest agreements.

Basis of Presentation and Measurement Focus- The accompanying basic financial statements have been prepared on the full accrual basis of accounting as prescribed by the GASB. Full accrual accounting uses a flow of economic resources measurement focus.

The basic financial statements of the Authority consist of Management's Discussion and Analysis ("MD&A"), Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

Enterprise Fund – Revenues are recognized in the period earned. The Authority's operating revenues are derived from charges to users of the Toll Roads in the County. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources to the extent they are needed.

Expenses are recognized in the period incurred. The Authority's operating expenses consist primarily of direct charges attributable to the operations of the Authority, including depreciation. Interest expense and other similar charges not directly related to the Authority's operations are reported as non-operating expenses.

Deposits and Investments – Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date of 90 days or less from date of purchase. All investments are recorded at fair value or amortized cost based upon quoted market prices as of the Authority's fiscal year end, with the difference between the purchase price and market price being recorded as investment income.

Restricted Assets and Restricted Net Position– Certain assets of the Authority are required to be segregated under terms of various bond indentures. These assets are legally restricted for certain purposes, including operations and maintenance, debt service and construction. The Authority purchased surety policies to satisfy certain reserve fund requirements. During the fiscal year ended February 28, 2017, the Authority was in compliance with these covenants.

In the financial statements, restricted net position is reported for amounts that are externally restricted by 1) creditors (e.g. bond covenants), grantors, contributors, or laws and regulations of other governments or 2) law through constitutional provision or enabling legislation.

Inventories – Inventory is stated at the lower of cost or market value, using the first-in, first-out method. EZ tags are recorded as inventory based on the number of tags by type (sticker, license plate, or motorcycle) as of February 28, 2017 multiplied by the cost per tag type.

Capital Assets – Capital assets include land, construction in progress, intangibles, buildings, equipment and infrastructure that are used in the Authority's operations and benefit more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the Authority include roads, bridges, sewers and right-of-way.

Capital assets of the Authority are defined as assets with individual costs of $5,000 or more and estimated useful lives in excess of one year. Exceptions to the $5,000 capitalization threshold are as follows: all land

and easements are capitalized regardless of cost. Purchased software greater than $100,000 is capitalized and internally developed software greater than $1,000,000 is capitalized. The threshold for capitalizing buildings is $100,000 and the threshold for infrastructure ranges from $25,000 to $250,000, depending on the asset.

All capital assets are stated at historical cost or estimated fair value at the date of purchase. Donated fixed assets are stated at their estimated acquisition value on the date donated. Depreciation is computed using the straight-line method over the estimated useful life of the asset ranging from 3 to 45 years. Infrastructure is depreciated over a 30-year useful life. Equipment is depreciated over 3 to 20 years, depending on the type. Buildings are depreciated over 45 years. Amortization of the intangible license agreement is based upon the revenues received and will continue until the license in fully amortized.

Harris County (acting through the Harris County Toll Road Authority) entered into a tri-party agreement in March 2003 with Texas Department of Transportation ("TxDOT"), and Federal Highway Administration to participate in the reconstruction portion of the IH10 Katy Freeway. Under this agreement, the Authority funded $237.5 million for the license to the real property for the right to operate the Toll Facility and paid an additional $12.5 million for the design and construction, and other allowable expenses related to the Toll Facility.

In April 2012, Harris County approved a memorandum of understanding with TxDOT (the "MOU") that contains a general outline for the development, funding, construction, operation and maintenance of toll projects for US 290, State Highway 288 and the tolled segments of the Grand Parkway. The County's responsibilities were further clarified in subsequent agreements and actions with TxDOT, including an agreement with respect to the ownership and operation of the Katy Tollway (Managed Lanes). Below is a summary of the terms of the MOU and the subsequent agreements and actions.

The MOU specified that Harris County would provide $400 million toward TxDOT's reconstruction of US290 from IH 610 to SH 99 and that the County would waive its primacy development rights for and decline to develop a toll facility along the Hempstead corridor of US 290. The reconstruction would include building a two to three lane reversible managed lane facility to accommodate both high occupancy vehicle (HOV) and toll traffic, as well as adding one general purpose lane in each direction. The MOU further provided that the County would operate and maintain the managed lanes facility and TxDOT would maintain the remainder of the US 290 facility. Harris County would retain all toll revenues for use on projects at the County's discretion.

In August 2014, TxDOT and Harris County agreed to reallocate responsibilities and resources for the US 290 reconstruction program. The County's commitment towards the US 290 project was reduced from $400 million to $200 million, payable in equal bi-annual installments in 2014 and 2015. Of the $200 million commitment, the County paid $100 million in FY15 and accrued the remaining $100 million. During fiscal year 2016, transactions pertaining to agreements between TxDOT and Harris County resulted in $45 million that was reported as miscellaneous revenue. However, there were no such transactions during fiscal year 2017 and thus no miscellaneous revenue is recorded in this year.

Similar to the funding the County committed toward the IH10 Katy reconstruction program in 2003, the bi-annual installments were funded with revenues of the County's toll system. The current agreement specifies that the County has no obligation or responsibility for development, construction, installation, or operation of a reversible managed lanes facility on the US 290 project. The County further waived its primacy rights for the development of toll facilities in the US 290 and Hempstead Highway corridors. As consideration for the reduction in the County's commitment towards the US 290 project, the County agreed, subject to certain legal requirements, to transfer ownership and/or all responsibility for operation, maintenance and enforcement of the Katy Managed Lanes to the State of Texas in 2014. The County is to be reimbursed for

its financial contribution to the Katy Managed Lanes project by retaining one third of all tolls paid by EZ Tag customers for the use of the Katy Managed Lanes. The County's right to retain tolls shall terminate once the County has been fully reimbursed for its financial contribution to the Katy Managed Lanes. In December 2014, the County and TxDOT agreed to postpone the date of the transfer until December 31, 2015. In January 2016, the County and TxDOT agreed to postpone the transfer to later that year. Prior to the transfer being effective, TxDOT and the County will need to satisfy certain legal requirements, including the adoption by the County of a finding that the transfer is in the best interest of the project and will not be materially adverse to the rights of the Owners of the Series 2012B-1 Bonds, Parity Notes or other Parity Obligations. To date, however, the parties have been unable to reach a definitive agreement and the assets remain in the possession of the Authority.

The Authority capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. All interest expense, interest earnings and the amortization of related bond costs were capitalized until September 1987 when the first of four sections of the Toll Road were opened for operations. Prior to fiscal year 2001, net interest and other bond costs have been capitalized based on the percentage of miles of the uncompleted sections to the total miles of the project. Since fiscal year 2001, interest had been capitalized based on the weighted average accumulated expenses multiplied by the weighted average interest rate. Such capitalization increased the total cost of assets constructed by the Toll Road Project by $3,061,000 during fiscal year 2017.

Premiums (Discounts) on Bonds Payable **-** Premiums (discounts) on bonds payable are amortized using the effective interest method over the term of the bonds.

Risk Management **-** The Authority's risk-of-loss exposures include exposure to liability and accidental loss of real and personal property as well as human resources. Toll Road operations involve a variety of high-risk activities including, but not limited to, cash collections, construction and maintenance activities. The County's Office of Risk Management is responsible for identifying, evaluating and managing the Authority's risk in order to reduce the exposure from liability and accidental loss of property and human resources. The Authority is treated as a County department by the County's Risk Management Office and is assessed premiums and charges similar to those assessed to other County departments.

The Authority is covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical and indemnity payments. Claims adjusting services are provided by a third-party administrative claims adjusting service. Interfund premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The County has excess insurance coverage for employer's liability. No claims settled during the last three fiscal years have exceeded this coverage.

Through the County, the Authority provides medical, dental, vision and basic life and disability insurance to eligible employees. The Authority pays the full cost of employee coverage and 50% of the cost of dependent premiums. The disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The Authority's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverage, are paid into the County's Health Insurance Management Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

Billings to the Authority for property insurance, professional liability insurance and crime and fidelity

policies are handled through the County's Risk Management Fund as are payments to the insurance carriers. Claim payments made up to the deductible limit are expensed by the Authority when paid by the Risk Management Fund. Payments for the Authority's general, vehicle and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund and billed to the Authority.

Compensated Absences **-** Accumulated compensatory absences are recorded as an expense and liability as the benefit accrues for the employee.

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 720 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

Non-exempt employees earn compensatory time at one and one-half times their worked hours in excess of 40 hours per week. Non-exempt employees may accrue up to 240 hours of compensatory time. Compensatory time in excess of the 240 hour maximum is paid at the regular rate of pay on the next pay period. Upon termination, non-exempt employees will be paid for any compensatory time balances.

Exempt employees earn compensatory time at a rate of one times their worked hours in excess of 40 hours a week. Exempt employees can accumulate up to 240 hours of compensatory time. Upon termination, exempt employees are paid one-half of the compensatory time earned at the wage rate at time of termination.

Statements of Cash Flows – All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows consist of deferred charge on refundings, unamortized swap liability, pension contributions after measurement date, the differences in projected and actual earnings on pension assets, and changes in pension assumptions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The pension contributions after measurement date are deferred and recognized in the following fiscal year. The differences in projected and actual earnings on pension assets are amortized over a closed five year period. Pension assumption changes are recognized over the average remaining service life for all members.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows consist of the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods and differences in expected and actual pension experience which are amortized over a closed six year period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Use of Estimates **-** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 these estimates.

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance (FDIC) is available for funds deposited at a financial institution up to a maximum of $250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the Authority will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. As of February 28, 2017, the balance per various financial institutions was $238,962,384. The Authority's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank of Des Moines, in accordance with the Public Funds Collateral Act.

Investments: Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes Harris County to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity.

The Harris County Investment policy is reviewed and approved annually by Commissioners Court. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

Funds of Harris County (including Authority funds) may be invested as authorized by the Public Funds Investment Act which is located in Chapter 2256 of the Texas Government Code. Allowable investments include:

1. Direct obligations of the United States, its agencies and instrumentalities.

2. Other obligations, the principal and interest of which are unconditionally guaranteed, insured or backed by the full faith and credit of the State of Texas, the United States, or any obligation fully guaranteed or fully insured by the FDIC.

3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.

4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A, or its equivalent, by a nationally recognized investment rating firm.

5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County's authority to invest funds in certificates of deposit and share certificates as stated above, made in accordance with the following conditions is an authorized investment under Texas Gov't. Code Section 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with

the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.

6. Fully collateralized repurchase agreements, provided the County has on file a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does not exceed the anticipated spending schedule of bond proceeds.

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code, Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.

8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.

9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of Commissioners Court to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.

10. A Securities and Exchange Commission (SEC) registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less and whose investment objectives includes

the maintenance of a stable net asset value of $1 for each share. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.

Summary of Cash and Investments

The Authority's cash and investments are stated at fair value or amortized cost. The following is a summary of the Authority's cash and investments at February 28, 2017.

	Totals
Cash and Cash Equivalents	$ 175,418,065
Investments	757,414,854
Restricted Cash and Cash Equivalents	21,238,868
Restricted Investments	258,584,642
Total Cash and Investments	$ 1,212,656,429

The table below indicates the fair value and maturity value of the Authority's investments as of February 28, 2017, summarized by security type. Also demonstrated are the percentages of the total portfolio, the weighted average modified duration in years, and the credit ratings for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
US Agency Notes					
FHLB	159,711,950	13.07%	160,000,000	0.1246	AA+/Aaa
FHLMC	229,484,146	18.78%	230,400,000	0.2228	AA+/Aaa
FNMA	123,135,560	10.07%	124,000,000	0.1524	AA+/Aaa
FNMA Discount Note	24,953,750	2.04%	25,000,000	0.0007	AA+/Aaa
Total US Agency Notes	537,285,406		539,400,000		
Commercial Paper					
TMCC	45,000,000	3.68%	45,000,000	0.0000	A-1/P-1
TMCC-Disc	251,007,048	20.53%	251,889,000	0.0564	A-1/P-1
Total Commercial Paper	296,007,048		296,889,000		
Local Governments					
AZ St School Facilities Board Rev Txbl	5,007,700	0.41%	5,000,000	0.0055	AAA/Aaa
Auburn Wash Utility Sys Rev BAB	2,079,885	0.17%	1,865,000	0.0118	AA
Austin TX Rev 11A	2,093,360	0.17%	2,000,000	0.0187	AAA/Aaa
AZ State School Facilities Board	13,020,020	1.06%	13,000,000	0.0142	AAA/Aaa
AZ Transportation	2,812,236	0.23%	2,800,000	0.0031	AA+/Aa2
Bexar County TX GO	4,817,115	0.39%	4,500,000	0.0537	AAA/Aaa
Burien WA BAB Taxable GO	1,241,084	0.10%	1,160,000	0.0072	A1
Clayton Cty GA & Wtr Auth Rev Txbl	944,168	0.08%	945,000	0.0009	AA+/Aa2
College Station TX Independent School	1,375,744	0.11%	1,280,000	0.0089	AA-/Aa2
Conroe TX Industrial Development Rev	5,976,634	0.49%	5,445,000	0.0410	AA
Cty Boulder CO Wtr Swr Rev TX Emp	1,386,531	0.11%	1,350,000	0.0030	Aa4

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Cty Columbus OH GO Unlt TX Exmpt	9,458,406	0.77%	8,935,000	0.0405	Aa5
Dallas TX Ref GO Bond	2,130,930	0.17%	2,000,000	0.0099	AA/Aa2
Denver CO BAB	3,752,152	0.31%	3,540,000	0.0280	AAA/Aaa
Ellis County TX GO	2,680,709	0.22%	2,640,000	0.0151	Aa2
Greensboro, NC Build America Bonds	2,140,480	0.18%	2,000,000	0.0145	AAA/Aaa
Hays Cnty TX GO LTD TX Exmpt	1,424,613	0.12%	1,325,000	0.0022	AA-/A2
Hillsborough County FL Utility	15,063,995	1.23%	14,165,000	0.0752	AA+/Aa1
Houston TX Utility Systems	2,366,973	0.19%	2,100,000	0.0163	AA
Idaho Bond Bank Authority Rev	4,549,732	0.37%	4,240,000	0.0252	Aa1
Katy, TX ISD BAB	2,158,980	0.18%	2,000,000	0.0111	AAA/Aaa
Louisiana St UTGO Txbl	2,016,860	0.16%	2,000,000	0.0036	AA/Aa3
Minnesota Pub Facs Rev TX Exmpt	4,263,160	0.35%	4,000,000	0.0131	AA+/Aa2
Montgomery County TX GO	3,773,525	0.31%	3,500,000	0.0310	AA+/Aa1
N Orange Cnty CA Cmnty Clg Dist	1,251,862	0.10%	1,250,000	0.0004	AA/Aa1
North TX Municipal Water District BAB	2,908,257	0.24%	2,700,000	0.0156	AAA/Aa2
North TX Tollway	3,635,791	0.30%	3,500,000	0.0315	AA/A1
Northwest TX	150,501	0.01%	150,000	0.0010	Aaa
Oregon State Alt Energy Project	2,968,317	0.24%	2,780,000	0.0258	AA+/Aa1
Pearland, TX Ref-Perm Improvement	1,075,187	0.09%	1,075,000	0.0059	AA/Aa2
Pecos Barstow TXISD	1,414,673	0.12%	1,390,000	0.0055	AAA
Port Auth NY NJ	15,193,061	1.24%	15,220,000	0.1009	AA-/Aa3
Red River TX Education Finance	2,625,184	0.21%	2,535,000	0.0243	Aa3
Regional Trans Dist Co SA	4,022,160	0.33%	4,000,000	0.0063	AAA/Aa2
Round Rock, TX ISD BAB	4,666,756	0.38%	4,375,000	0.0199	Aaa
Salt Lake County Utah Sales Tax	1,755,494	0.14%	1,630,000	0.0137	AAA
San Antonio, TX Build America Bnds	1,832,917	0.15%	1,635,000	0.0173	AAA/Aaa
San Antonio TX Water Rev BAB	3,209,050	0.26%	3,000,000	0.0153	AA+/Aa1
Snohomish County WA BAB	2,936,668	0.24%	2,760,000	0.0173	AA+/Aa3
ST of Delaware GO Unlt TX Exmpt	2,805,129	0.23%	2,620,000	0.0094	AA+/Aa4
ST of Georgia GO Unlt TX Exmpt	5,552,730	0.45%	5,150,000	0.0084	AA+/Aa5
Sugar Land, TX CTFS	5,788,368	0.47%	5,400,000	0.0520	AAA/Aaa
Texas City, TX ISD	1,362,627	0.11%	1,285,000	0.0102	AA
Texas State Tech University Rev Bnds	1,918,200	0.16%	1,850,000	0.0144	AA
Travis County, TX Certificates of Obligation	1,505,000	0.12%	1,505,000	0.0090	AAA/Aaa
Trinity River TX Rev TX Exmpt	1,239,179	0.10%	1,215,000	0.0034	
Virginia ST HSG Development Auth	1,462,189	0.12%	1,375,000	0.0157	AA+/Aa1
Washington Cnty Ore Sch	1,000,680	0.08%	1,000,000	0.0002	AA+/Aa1
Wayne Township in Met Sch District	244,664	0.02%	245,000	0.0000	AA+
West Univ Place, TX	998,830	0.08%	1,000,000	0.0005	AAA
Total Local Governments	170,058,466		162,435,000		
US Treasury Note					
US Treasury Note	17,983,080	1.47%	18,000,000	0.0123	AAA/Aaa
Total US Treasury Note	17,983,080		18,000,000		
Money Market Funds					
MMF-TLRD	105,364,294	8.62%	105,364,294	N/A	AAAm/Aaa
LOGIC Investment Pool	34,245,305	2.80%	34,245,305	N/A	AAAm/Aaa
Lone Star Investment Pool	29,709,375	2.43%	29,709,375		
Texas Class Investment Pool	32,099,901	2.64%	32,099,901	N/A	AAAm/Aaa
Total Money Market Funds	201,418,875		201,418,875		
Total Investments & Cash Equivalents	$ 1,222,752,875	100.00%	$ 1,218,142,875		
Demand and Time Deposits	(10,096,446)				
Total Cash & Investments	$ 1,212,656,429				

Fair Value Measurements
The County categorizes its fair value measurements within the fair value hierarch established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of February 28, 2017, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments and U.S. Treasury Notes totaling $1,021,334,000, all of which are valued using quoted prices for similar assets in active markets (Level 2 inputs). The Money Market Funds through External Investment Pools totaling $201,418,875 have been valued at amortized cost or fair value in accordance with GASB No.79. For pools shown above, MMF-TLRD, LOGIC and Texas Class portfolios have been valued at fair value (Level 2 input) with Lone Star at amortized cost.

RISK DISCLOSURES

Interest Rate Risk: All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

According to the County investment policy, no more than 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, flood control, proprietary and enterprise, Public Improvement Contingency, District Clerk Registry, County Clerk Registry, and bond reserves may be invested beyond three years. Additionally at least 15% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts, and capitalized interest funds, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 28, 2017, the Authority was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently 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. In particular, no more than 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA or its equivalent by at least one nationally recognized rating firm.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty,

the County may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2017, all of the Authority's investments are held in the County's name.

Foreign Currency Risk: Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the US dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the Authority is not exposed to foreign currency risk.

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the Harris County and Authority's financial statements. The two investment strategies employed by Harris County are the Matching Approach and the Barbell Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Toll Road Project Funds	Matching/Barbell	6	$ 648,845,000	2.89
Toll Road Renewal/Replacement	Matching/Barbell	6	133,595,000	0.98
Toll Road Bond Reserve	Matching	Maturity of the bonds	234,284,000	7.92
Money Market Mutual Funds	N/A	N/A	201,418,875	N/A
			$ 1,218,142,875	

Note: Money Market Mutual Funds are excluded from the various fund types, which may affect the average remaining days to maturity.

3. OTHER RECEIVABLES AND UNEARNED REVENUE

Other receivables as of February 28, 2017 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of $10,310,010 is reported net of allowance for doubtful accounts of $257,102,759.

Proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Authority reported $78,649,035 in unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 28, 2017 are comprised of the following:

	Outstanding March 1, 2016	Issued	Receipts	Outstanding February 28, 2017
Sam Houston Race Park	$ 68,231	$ -	$ (7,581)	$ 60,650
Notes receivable	$ 68,231	$ -	$ (7,581)	$ 60,650

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 28, 2017 are comprised of the following:

Prepaid surety expense	$ 244,885
Prepaid office expenses	3,262,278
Total	$ 3,507,163

6. CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2017 was as follows:

	Balance March 1, 2016	Additions	Deletions	Transfers	Balance February 28, 2017
Land	$ 57,888,865	$ 19,619,115	$ (1,014,849)	$ -	$ 76,493,131
Easement	-	129,962	-	-	129,962
Right-of-way	276,696,094	-	-	-	276,696,094
Construction in progress	295,288,589	204,229,816	-	(3,881,783)	495,636,622
Total capital assets not depreciated	629,873,548	223,978,893	(1,014,849)	(3,881,783)	848,955,809
License agreement	237,500,000	-	-	-	237,500,000
Land improvements	18,865,805	-	-	-	18,865,805
Infrastructure	2,574,449,452	-	(10,913)	-	2,574,438,539
Other tangible assets	29,503,155	131,119	(10,095,311)	-	19,538,963
Buildings	14,344,930	-	-	3,881,783	18,226,713
Equipment	98,747,993	8,962,531	(11,352,063)	-	96,358,461
	2,973,411,335	9,093,650	(21,458,287)	3,881,783	2,964,928,481
Less accumulated depreciation/amortization for:					
License agreement	(30,186,250)	(7,885,000)	-	-	(38,071,250)
Land improvements	(3,861,878)	(943,458)	-	-	(4,805,336)
Infrastructure	(1,251,002,219)	(86,911,949)	-	-	(1,337,914,168)
Other tangible assets	(30,371,175)	(1,481,725)	9,887,785	-	(21,965,115)
Buildings	(3,068,310)	(312,785)	-	-	(3,381,095)
Equipment	(41,806,075)	(9,317,553)	11,242,848	-	(39,880,780)
	(1,360,295,907)	(106,852,470)	21,130,633	-	(1,446,017,744)
Total capital assets being depreciated, net	1,613,115,428	(97,758,820)	(327,654)	3,881,783	1,518,910,737
Total capital assets, net	$ 2,242,988,976	$ 126,220,073	$ (1,342,503)	$ -	$ 2,367,866,546

7. LONG-TERM LIABILITIES

The Authority has financed the Toll Road Projects with a combination of unlimited tax and subordinate lien revenue bonds, senior lien revenue bonds, and commercial paper. The proceeds from such bonds, including the interest earned thereon, are being used to finance the construction costs, the related debt service, and a portion of the maintenance and operating expenses.

Changes in the Authority's Long-Term Liabilities for fiscal year 2016-2017 were as follows:

	Outstanding March 1, 2016	Issued/ Increased	Paid/ Decreased	Outstanding February 28, 2017	Due Within One Year
Senior Lien Revenue Bonds	$ 1,798,195,000	$ 530,105,000	$ (655,950,000)	$ 1,672,350,000	$ 70,600,000
Tax Bonds	329,085,000	-	(26,380,000)	302,705,000	26,610,000
Total Bond Principal	2,127,280,000	530,105,000	(682,330,000)	1,975,055,000	97,210,000
Unamortized Premium, Revenue Bonds	79,703,720	130,779,436	(23,263,102)	187,220,054	-
Unamortized Premium, Tax Bonds	12,165,446	-	(1,627,548)	10,537,898	-
Accrued Interest Payable	3,618,389	86,824,236	(87,083,352)	3,359,273	3,359,273
Total Bonds Payable	2,222,767,555	747,708,672	(794,304,002)	2,176,172,225	100,569,273
Compensatory Time Payable	1,160,190	666,687	(707,716)	1,119,161	671,497
OPEB Obligation	29,416,889	4,509,340	-	33,926,229	-
Net Pension Liability	26,473,095	-	(131,912)	26,341,183	
Pollution Remediation Obligation	2,119,625	-	(1,296,700)	822,925	-
Totals - Toll Road Fund Liabilities	$ 2,281,937,354	$ 752,884,699	$ (796,440,330)	$ 2,238,381,723	$ 101,240,770

A. Outstanding Bonded Debt – February 28, 2017 – Pertinent Information by Issue

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2017
Senior Lien Revenue Bonds					
Refunding Series 2007A	275,340,000	4.00-5.00	2007	2008-2033	$ 233,275,000
Refunding Series 2007B	145,570,000	Floating	2007	2034-2036	145,570,000
Refunding Series 2008B	324,475,000	4.625-5.25	2008	2012-2047	8,695,000
Series 2009A	215,455,000	4.00-5.00	2009	2016-2038	52,425,000
Series 2009C	250,000,000	5.00	2009	2016-2049	67,500,000
Refunding Series 2010D	35,420,000	3.00-5.00	2010	2011-2030	22,775,000
Refunding Series 2012A	60,415,000	Floating	2012	2015-2018	39,915,000
Refunding Series 2012B	139,500,000	Floating	2012	2012-2021	139,500,000
Refunding Series 2012C	252,845,000	2.00-5.00	2012	2013-2033	229,695,000
Refunding Series 2012D	98,010,000	.40-1.68	2012	2013-2018	41,320,000
Refunding Series 2015B	161,575,000	5.00	2015	2020-2036	161,575,000
Refunding Series 2016A	530,105,000	2.75-5.00	2016	2019-2047	530,105,000
Total Principal Senior Lien Revenue Bonds					1,672,350,000
Unamortized Premiums and Discounts					187,220,054
Total Senior Lien Revenue Bonds					$ 1,859,570,054

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 28, 2017
Unlimited Tax and Subordinate Lien Bonds (Tax Bonds)					
Refunding Series 1997	$ 150,395,000	5.00-5.125	1997	2014-2024	$ 26,005,000
Refunding Series 2007C	321,745,000	5.00-5.25	2007	2014-2033	276,700,000
Total Tax Bonds					302,705,000
Unamortized Premiums and Discounts					10,537,898
Total Tax Bonds					$ 313,242,898

B. Covenants and Conditions

The Senior Lien Revenue Bonds are payable from operating revenues generated from the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem taxing power and are also secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds. The Authority has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The Authority also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the aggregate debt service on all Senior Lien Revenue Bonds accruing in such fiscal year. The 1.25 revenue coverage covenant went into effect during fiscal year 1994. The revenue coverage ratio was 5.39 as of February 28, 2017.

C. Debt Service Requirements

Total interest expense was $75,454,167 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal	Interest	Total
2018	$ 97,210,000	$ 92,535,797	$ 189,745,797
2019	99,180,000	88,701,407	187,881,407
2020	102,945,000	84,416,116	187,361,116
2021	106,865,000	79,354,619	186,219,619
2022	101,610,000	74,342,706	175,952,706
2023-2027	391,740,000	310,565,584	702,305,584
2028-2032	413,265,000	214,234,643	627,499,643
2033-2037	449,020,000	100,598,429	549,618,429
2038-2042	107,815,000	37,334,875	145,149,875
2043-2047	80,875,000	16,573,125	97,448,125
2048-2050	24,530,000	1,088,250	25,618,250
	$ 1,975,055,000	$ 1,099,745,551	$ 3,074,800,551

D. Unissued Authorized Bonds

In an election held on September 13, 1983, the voters of the County endorsed using toll roads to alleviate the County's traffic problems by authorizing the County to issue up to $900,000,000 of bonds secured by a pledged of its unlimited ad valorem taxing power. As of February 28, 2017, the unissued authorized bonds for the toll road project are $15,148,000.

E. Defeasance of Debt

In the current year and prior years, the Authority has defeased certain bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of February 28, 2017, the outstanding principal balance of these defeased bonds was $2,425,664,000.

F. Debt Issuances

On March 1, 2016, the County pledged an additional $1,500,000 in FNMA note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 4, 2016, the County released $16,500,000 in FNMA note pledged to JP Morgan Chase as collateral and replaced it with $15,000,000 in FHLMC note to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 13, 2016, the County pledged an additional $1,000,000 in FHLMC note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 17, 2016, the County pledged an additional $1,000,000 in FHLMC note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On June 28, 2016, the County pledged an additional $1,000,000 in FHLMC note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On July 1, 2016, the County released $1,762,000 in FNMA note pledged to Citibank as collateral on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

On July 1, 2016, the County pledged an additional $1,762,000 in FNMA note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On July 6, 2016, the County pledged an additional $500,000 in FHLMC note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On July 12, 2016, the County issued $530,105,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2016A to refund and defease a portion of the County's outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2008B, 2009A and 2009C, and to pay the cost of issuance. The annual interest rate is 2.75% to 5.00%. The issuance had a premium of $126,351,985. The interest accrues semi-annually and the bonds mature in 2047. The refunding resulted in a savings of $130,309,963 due to a decrease in cash flow and had an economic gain of $82,277,810.

On August 1, 2016 the County released $862,000 in FNMA note pledged to Citibank as collateral on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

On August 1, 2016 the County pledged an additional $862,000 in FNMA note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 15, 2016 the County remarketed $30,000,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012B-2. Interest is payable semi-annually. The interest rate is 70% of the one month London Interbank Offered Rate ("LIBOR") plus a spread. The bonds mature in 2021. The refunding resulted in no savings or economic benefit.

On November 1, 2016 the County released $2,000,000 in FNMA note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On November 1, 2016 the County released $2,536,000 in FHLMC note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On December 2, 2016 the County released $4,000,000 in FNMA note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On December 2, 2016 the County released $4,074,000 in FHLMC note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On January 3, 2017 the County released $2,000,000 in FNMA note pledged to Citibank as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On January 3, 2017 the County released $2,035,000 in FHLMC note pledged to JP Morgan Chase as collateral on the $72,785,000 interest rate swap for the Series 2007B bonds.

On February 3, 2017 the County released $1,676,000 in FNMA note pledged to Citibank as collateral on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

G. Commercial Paper

In addition to the outstanding long-term debt of the Authority, the Commissioners Court has established a commercial paper program secured by the payable from Toll Road revenues. During fiscal year 2017, the commercial paper program consisted of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Series E Notes") in an aggregate principal amount not to exceed $200 million outstanding at any one time. As of February 28, 2017, the Toll Road has no outstanding commercial paper and there was no commercial paper activity during the year ended February 28, 2017.

The purpose of the Series E Notes is to provide funding for costs of acquiring, constructing, operating and maintaining, and improving Toll Road Project components, as well as to fund reserves, pay interest during construction, refinance, refund, and renew the notes themselves, and fund issuance costs. On January 10, 2017, the previous Commercial Paper Program Series E was terminated. Also on this date, approval was granted for the creation and establishment of the Toll Road Senior Lien Revenue Commercial Paper Programs, Series E-1 and E-2, in the amounts of $200,000,000 each. The creation of Series E-1 and E-2 was finalized in fiscal year 2018.

H. Arbitrage Rebate Liability

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2017. As of February 28, 2017 there were no estimated liabilities for arbitrage rebate on enterprise debt.

I. Interest Rate Swap

The County entered an interest rate swap with Citibank, N.A., New York, relating to the Toll Road Authority, Series 2012A and Series 2012B, and the Senior Lien Revenue Refunding Bonds, Series 2007B. The County entered an interest rate swap with JPMorgan Chase Bank, National Association, relating to the Senior Lien Revenue Refunding Bonds, Series 2007B. The purpose of the swaps was to create a fixed cost of funds on certain maturities of the related bonds that is lower than the fixed cost achievable in the cash bond market.

Terms:

Harris County Toll Road Authority	Citibank–Senior Lien Revenue Refunding Bonds, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Trade Date:	November 28, 2006	May 22, 2007	May 22, 2007
Effective Date:	August 15, 2009	June 14, 2007	June 14, 2007
Termination Date:	August 15, 2019	February 15, 2035	February 15, 2035
Initial Notional Amount: (a)	$199,915,000	$72,785,000	$72,785,000
Current Notional Amount:	$179,415,000	$72,785,000	$72,785,000
Authority Pays Fixed:	3.626%	4.398%	4.398%
Counterparty Pays Floating:	70% of 1 Month LIBOR	67% of 3 Month LIBOR + .67%	67% of 3 Month LIBOR + .67%
Payment Dates:	The 15th day of each month	The 15th day of February, May, August and November	The 15th day of February, May, August and November
Collateral Threshold: (b)	($15,000,000)	($15,000,000)	($15,000,000)
Fair Value as of 2/28/17:	($9,959,545)	($20,500,635)	($20,500,635)
Collateral Pledged:	$0	$8,924,000 (c)	$9,855,000 (d)

(a) The notional amount for the swaps amortizes to match the outstanding bond.
(b) Collateral threshold represents the maximum exposure that the counterparty is required to accept without a pledge of collateral. The difference between the fair value and the collateral threshold must be covered by County collateral. The maximum collateral threshold ceiling is $45,000,000.
(c) The County pledged an $8.9 million FNMA note with a $20,000,000 par, at 1.03% to Citibank as collateral under the terms of the swap agreements related to the Toll Road Senior Revenue Refunding Bonds, Series 2007B.
(d) The County pledged a $9.9 million FHLMC note with a $44,000,000 par at 1.05% to JP Morgan as collateral under the terms of the swap agreements related to the Toll Road Senior Lien Revenue Refunding Bonds, Series 2007B.

Fair Value: Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies. The County's over-the-counter interest rate swaps are valued using Level 2 inputs and the value of the swaps includes non-performance risk considerations.

Summary of GASB 53 Effectiveness Testing:

Harris County Toll Road Authority	Citibank–Senior Lien Revenue Refunding Bonds, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Derivative Instrument	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap
Hedge Type	Cash Flow Hedge	Cash Flow Hedge	Cash Flow Hedge
Method of Effectiveness Testing	Regression Historical	Consistent Critical Terms	Consistent Critical Terms
Result of Effectiveness Testing	Effective	Effective	Effective

Risks:

Harris County Toll Road Authority	Citibank–Senior Lien Revenue Refunding Bonds, Series 2012A&B	Citibank-Senior Lien Revenue Refunding Bonds, Series 2007B	JP Morgan Chase-Senior Lien Revenue Refunding Bonds, Series 2007B
Credit Risk: Credit Ratings Moody's, S&P, and Fitch	A1, A+, and A+	A1, A+, and A+	Aa3, A+, and AA-
Interest Rate Risk – risk that changes of rates in the bond market will negatively affect the cash flow to the County in a SWAP transaction.	Citi Bank NA pays 70% of 1 month LIBOR, while the County pays a fixed rate of 3.626%.	Citi Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.	JP Morgan Chase Bank NA pays 67% of 3 month LIBOR + 67bp, while the County pays a fixed rate of 4.398%.
Termination Risk – risk that the SWAP must be terminated prior to its stated final cash flow.	The exposure to the County is $9,959,545, which is based on a fair market value calculation.	The exposure to the County is $20,500,635, which is based on a fair market value calculation.	The exposure to the County is $20,500,635, which is based on a fair market value calculation.

J. Subsequent Debt Related Activity

The Authority did not issue any debt subsequent to year end.

8. RETIREMENT PLAN

Plan Description. Harris County provides retirement, disability, and survivor benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). This is accounted for as an agent multiple-employer defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

Harris County's pension plan includes Toll Road and three other participating employers. Toll Road Authority has reported its participation in the Harris County plan as a cost sharing employer. The Harris County plan is allocated to participating employers based upon contributions. The Authority's allocated share was 3.551%.

Benefits Provided. The plan provisions are adopted by Commissioners Court of the County, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, when the sum of their age and years of service equals 75 or more, or if they become disabled. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by Commissioners Court, within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated

contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. The County's current match is 225%.

Employees Covered by Benefit Terms. At the measurement date, the following employees were covered by the benefit terms of the Harris County plan:

	12/31/15	12/31/16
Inactive employees or beneficiaries current receiving benefits	7,469	7,979
Inactive employees entitled but not yet receiving benefits	7,885	8,279
Active employees	16,342	16,772
Total	31,696	33,030

Contributions. The County has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The County contributed using an actuarially determined rate of 13.88% of covered payroll for the months of the calendar year in 2015, and 14.00% for the months of the calendar year in 2016.

The contribution rate payable by the employee members for 2015 and 2016 is 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

Actuarial Assumptions. For the County's fiscal year ending February 28, 2017, the net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	3.5%
Investment rate of return	8.1%

The County has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

The annual salary increases rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.4% per year for a career employee.

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table for males and females as appropriate, with adjustments, with the projection scale AA. Service retirees, beneficiaries, and non-depositing members were based on RP-2000 Combined Mortality Table for males and females as appropriate, with adjustments with the projection scale AA. Disabled retirees were based on RP-2000 Disabled Mortality Table for males and females as appropriate, with adjustments, with the projection scale AA.

The actuarial cost method was Entry Age Normal, as required by GASB 68. Straight-line amortization over Expected Working Life with a 5 year smoothing period, and a non-asymptotic recognition method with no corridor were utilized in the actuarial calculations.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68. Updated mortality assumptions were adopted in 2015.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2017 information for a 7-10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The following target asset allocation was adopted by the TCDRS board in April 2017. The geometric real rate of return is net of inflation, assumed at 2.0%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
	100.00%	

Discount Rate. The discount rate used to measure the total pension liability was 8.1%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability ("UAAL") shall be amortized as a level percent of pay over 20-year layered periods.
2. Under the TCDRS Act, the County is legally required to make the contribution specified in the funding policy.
3. The County's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments.

Changes in Net Pension Liability (amounts in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2015	$ 5,450,852	$ 4,726,481	$ 724,371
Changes for the year:			
Service cost	149,334		149,334
Interest on total pension liability	437,989		437,989
Effect of economic/demographic gains or losses	(27,493)		(27,493)
Refund of contributions	(8,537)	(8,537)	-
Benefit payments	(229,683)	(229,683)	-
Administrative expenses		(3,799)	3,799
Member contributions		68,371	(68,371)
Net investment income		349,499	(349,499)
Employer contributions		136,391	(136,391)
Other	-	(7,961)	7,961
Balances as of December 31, 2016	$ 5,772,462	$ 5,030,762	$ 741,700

The net pension liability allocated to the Authority at February 29, 2016 and February 28, 2017 was $26,473,095 and $26,341,183 respectively and employer contributions for the same period were $3,970,428 and $4,843,872 respectively.

Sensitivity Analysis. The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate (amounts in thousands):

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 6,523,457	$ 5,772,462	$ 5,146,072
Fiduciary net position	5,030,762	5,030,762	5,030,762
Net pension liability	$ 1,492,695	$ 741,700	$ 115,310

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

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions. For the measurement period ending December 31, 2016, the County recognized pension expense of $242,748,438, the Authority's share was $8,525,845 as of February 28, 2017; the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 27,884	$ -
Changes of assumptions	-	34,099
Net difference between projected and actual earnings	-	277,468
Contributions made subsequent to the measurement date	-	21,813
	$ 27,884	$ 333,380

Toll Road Authority's Allocation:	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 990	$ -
Changes of assumptions	-	1,211
Net difference between projected and actual earnings	-	9,854
Contributions made subsequent to the measurement date	-	811
	$ 990	$ 11,876

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension, other than contributions subsequent to the measurement date, will be recognized in pension expense for the Harris County plan as follows:

Year ended December 31:	
2017	$ 93,085,471
2018	93,085,471
2019	93,085,471
2020	9,009,564
2021	(4,582,266)

Payable to the Pension Plan. At February 28, 2017, the County reported a payable of $16,211,191 for the outstanding amount of contributions to the pension plan.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision ("CS") is not considered a department or a component unit of the County. The net pension liability for CS at February 29, 2016 and February 28, 2017 is $27,678,584 and $23,093,168, respectively.

The deferred inflows and outflows reported for CS at February 28, 2017 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 868	$ -
Changes of assumptions	-	1,062
Net difference between projected and actual earnings	-	8,639
Contributions made subsequent to the measurement date	-	655
	$ 868	$ 10,356

For the measurement period ended December 31, 2016, CS recognized pension expense of $6,990,304. The RSI following the notes to the financial statements contains: the schedule of changes in the County's net pension liability and related ratios, and the schedule of County contributions.

9. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description. Harris County administers an agent multiple-employer defined benefit post employment healthcare plan that covers retired employees of participating governmental entities. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioner's Court.

Membership in the plan at March 1, 2015, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,594
Active plan members	14,599
Number of participating employers	5

Summary of Significant Accounting Policies
Basis of Accounting. The Plan's transactions are recorded using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable.

Contributions. Local Government Code Section 157.102 assigns to Commissioner's Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The following tables present the criteria for the employers' contribution to the retiree's and qualifying dependent's benefits:

Retired Prior to March 1, 2002:

Years of Service	10 yrs.	9 yrs.	8 yrs.	< 8yrs. with proportionate service and/or disability
Retiree - Employer Share	100%	90%	80%	50%
Retiree - Retiree Share	0%	10%	20%	50%
Dependent - Employer Share	50%	45%	40%	25%
Dependent - Retiree Share	50%	55%	60%	75%

Retired or Eligible to Retire Prior to March 1, 2011:

Employee's age plus years of service	75	75	70-74	< 70	N/A
Years of service	10	8-9	8	4-7	< 4
Consecutive service years at retirement	4	4	4	4	N/A
Retiree - Employer Share	100%	80%	80%	50%	0%
Retiree - Retiree Share	0%	20%	20%	50%	100%
Dependent - Employer Share	50%	40%	40%	25%	0%
Dependent - Retiree Share	50%	60%	60%	75%	100%

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 (or Medicare eligible) with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% of the County contributions for retiree coverage and 50% for dependent coverage.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 (or Medicare eligible) with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive any County contributions for retiree or dependent coverage.

Effective March 1, 2012:

Harris County pays no more for retiree healthcare than the premium it pays for active employees for each rate tier structure (retiree only, retiree + spouse, retiree + child, retiree + 2 or more dependents). As a result all non-Medicare retirees pay an additional amount for their coverage regardless of their retirement date.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2017, plan members or beneficiaries receiving benefits contributed $10.53 million, or approximately 20.2 percent of total benefits paid during the year. Participating employers contributed $41.68 million. The total contributions for the year ended February 28, 2017 were $52.2 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

The latest actuarial valuation for the plan was performed as of March 1, 2015, which continued to be effective for the County's fiscal year ending February 28, 2017. In February 2017 the County made a change in the provisions of the plan to become effective March 1, 2017. Using the March 1, 2015 Valuation, its actuary updated the results, reflecting the impact of the change made in the plan's provisions. The updated UAAL increased from $1,311,021,556 to $1,332,343,309—an increase of 1.6%. It was rolled forward to $1,397,045,655 as of February 28, 2016. The impact on the Annual OPEB Cost was an increase of 16%, from $108,983,297 to $126,379,573 with the resulting Net OPEB Obligation increasing to $647,659,984. The County assessed the impact to be insignificant in determining whether to use the update as opposed to a new valuation. The results from the update are reflected in the County's financial statements and note disclosures.

THE EMPLOYER:

Annual OPEB Cost. For 2017, the County's annual OPEB cost (expense) was $126,379,573 (including Toll Road of $5,409,179) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2017 were as follows:

Annual Required Contribution	$ 127,785,934
Add interest on Net OPEB Obligation	21,110,872
Less adjustment to Annual Required Contribution	(22,517,233)
Annual OPEB Cost	126,379,573
Less Contributions made	(41,676,170)
Change in Net OPEB Obligation	84,703,403
Net OPEB Obligation, beginning of the year	562,956,581
Net OPEB Obligation, end of the year	$ 647,659,984

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2015	$ 101,776,459	$ 39,543,124	39%	$ 492,980,243
2/29/2016	108,983,297	39,006,959	36%	562,956,581
2/28/2017	126,379,573	41,676,170	33%	647,659,984

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The net OPEB obligation for Emergency 911 and Community Supervision is $1,149,819 and $0 respectively for fiscal year 2016 and the net OPEB obligation for Emergency 911 and Community Supervision is $1,376,415 and $0 respectively at February 28, 2017. Toll Road's portion of the net OPEB obligation above is $33,926,229.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2015 (most recent actuarial valuation) was as follows:

	All Participants	Toll Road Portion
Unfunded actuarial accrued liability (UAAL)	$ 1,332,343,309	$ 46,723,318
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	$ 1,050,715,841	$ 40,313,416
UAAL as a percentage of covered payroll	127%	116%

The "All Participants" column in the above table includes UAAL of $1,932,762 for Emergency 911 and UAAL of $10,973,012 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County's UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include

techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2015 actuarial valuation, a 3.75% discount rate was used. The medical trend rates of 6% for 2015 graded down to an ultimate rate of 5% by 2020 were used per the actuary's best estimate of expected long-term plan experience. The economic assumptions used in this valuation implicitly assume a general inflation level of approximately 2.5%.

The actuarial cost method used in valuing the County's liabilities was the Projected Unit Credit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Additional Disclosures. Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County ("Continuation Coverage") by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Harris County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current "pay as you go" basis for a single fiscal year through an annual appropriation authorized by Commissioner's Court during the County's annual budget adoption process.

GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The Authority is committed under various contracts in connection with the construction of Authority facilities, buildings, and roads of $441,490,637.

Litigation and Claims

The Authority is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such pending lawsuits and other claims are not presently determinable, management of the Authority believes that the resolution of these matters is not expected to have a materially adverse effect on the financial condition of the Authority. There are several civil cases that have resulted in settlements, consent decrees or are expected to have financial impact on the Authority in subsequent fiscal years.

Pollution Remediation

The Authority is subject to numerous Federal, State and Local environmental laws and regulations. GAAP established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The Authority recorded in the financial statements pollution remediation liabilities of $822,925. This liability is partially attributable to land acquired by the Authority with known pollution which is expected to be remediated before the land can be used for its intended purpose. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 28, 2017. Additional costs, if any, are not expected to have a material effect on the financial condition of the Authority.

Metro Agreement

An amended agreement between Metro and the County related to the Westpark Corridor was approved by Commissioners' Court on May 7, 2013. Per this agreement the County is obligated to reimburse Metro for certain increased project costs if incurred. The County's liability to Metro under the agreement shall not exceed the cap of $41 million and the escalation thereof. Ad valorem taxes are irrevocably pledged to the payment.

11. TRANSFERS AND ADVANCES

The Commissioners Court approved a $134 million annual allocation for funding of a County thoroughfare program to increase general mobility.

12. REVENUE LEASES

Operating Leases

The Authority was the lessor in a lease for signage. In the current year, there was lease revenue recognized in the amount of $7,200.

There are contingent rentals which may be received under certain leases based on percentage of receipts. Contingent rentals amounted to $11,700 in 2017.

13. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No.74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 74"), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB 74 will be implemented by the Authority in fiscal year 2018 and the impact has not yet been determined.

GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"), replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB 75 will be implemented by the Authority in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No.82, *Pension Issues*, addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, deviations from the guidance of the Actuarial Standards Board, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 will be implemented by the Authority in fiscal year 2018 and the impact has not yet been determined.

GASB Statement No.83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; and the disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be implemented by the Authority in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No.84, *Fiduciary Activities* ("GASB 84"), establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be implemented by the Authority in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No.85, *Omnibus 2017* ("GASB 85"), addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be implemented by the Authority in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No.86, *Certain Debt Extinguishment Issues* ("GASB 86"); Statement No.7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. GASB 86 will be implemented by the Authority in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No.87, *Leases* ("GASB 87"), require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 will be implemented by the Authority in fiscal year 2021 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 28, 2017
(Unaudited)

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2015	3/1/2013	-	$ 1,189,670,446	$ 1,189,670,446	0%	$ 900,961,148	132.0%
2016	3/1/2015	-	1,311,021,556	1,311,021,556	0%	961,963,878	136.3%
2017	3/1/2015	-	1,332,343,309	1,332,343,309	0%	1,050,715,841	126.8%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are $1,932,762 and $10,973,012 respectively.

Toll Road is an enterprise fund of the County and included in the above table. The following table contains Toll Road specific information:

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2015	3/1/2013	-	$ 40,081,280	$ 40,081,280	0%	$ 32,810,502	122.2%
2016	3/1/2015	-	45,843,328	45,843,328	0%	35,243,520	130.1%
2017	3/1/2015	-	46,723,318	46,723,318	0%	40,313,416	115.9%

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Amounts in thousands)

	Year Ended December 31	
	2016	2015
TOTAL PENSION LIABILITY		
Service cost	$ 149,334	$ 131,567
Interest on total pension liability	437,989	411,525
Effect of economic/demographic gains	(27,493)	(7,458)
Benefit payments/refunds of contributions	(238,220)	(220,100)
Net change in total pension liability	321,610	337,800
Total pension liability, beginning	5,450,852	5,113,052
Total pension liability, ending (a)	$ 5,772,462	$ 5,450,852
FIDUCIARY NET POSITION		
Employer contributions	$ 136,391	$ 132,346
Member contributions	68,371	66,878
Investment income net of investment expenses	349,499	(30,646)
Benefit payments/refunds of contributions	(238,220)	(220,100)
Administrative expenses	(3,799)	(3,419)
Other	(7,961)	363
Net change in fiduciary net position	304,281	(54,578)
Fiduciary net position, beginning	4,726,481	4,781,059
Fiduciary net position, ending (b)	$ 5,030,762	$ 4,726,481
Net pension liability, ending = (a) - (b)	$ 741,700	$ 724,371
Fiduciary net position as a % of total pension liability	87.15%	86.71%
Pension covered payroll	$ 974,217	$ 953,501
Net pension liability as a % of covered payroll	76.13%	75.97%
Toll Road's Portion:		
Allocated share	3.551%	3.655%
Employer contributon	$ 4,843,872	$ 4,836,751
Net pension liability, ending	$ 26,341,183	$ 26,473,095

Note: The County implemented GASB 68 in fiscal year 2016. Information prior to fiscal year 2016 is not available, ten years of data will accumulate over time.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
February 28, 2017

Year Ending December 31	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2007	$78,835,454	$78,835,454	$ -	$755,852,867	10.4%
2008	80,968,198	80,968,198	-	839,919,068	9.6%
2009	85,977,877	85,977,877	-	882,729,740	9.7%
2010	96,038,173	96,038,173	-	849,143,883	11.3%
2011	77,988,234	77,988,234	-	794,141,978	9.8%
2012	83,215,181	83,215,181	-	779,898,383	10.7%
2013	92,818,576	92,818,576	-	800,850,524	11.6%
2014	106,802,688	106,802,688	-	859,233,866	12.4%
2015	132,345,738	132,345,738	-	953,501,308	13.9%
2016	132,006,399	136,390,929	(4,384,529)	974,216,968	14.0%

(1) TCDRS calculated actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

Toll Road is an enterprise fund of the County and is included in the above table. The following table contains Toll Road specific information:

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	$ 3,567,312	$ 3,567,312	$ -	$ 30,783,564	11.6%
2014	3,970,459	3,970,459	-	31,942,561	12.4%
2015	4,836,615	4,836,615	-	34,846,113	13.9%
2016	4,843,872	4,999,587	(155,715)	34,598,952	14.5%

Additional years for the Toll Road Authority will be added as they become available.

Notes to Schedule

Valuation date:	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14.5 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation

Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in plan provisions reflected in the schedule	Effective with the 2015 calendar year, employer contributions reflect that the member contribution rate was increased to 7%. No changes in plan provisions in 2016.

OTHER INFORMATION

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Traffic Count Table
Schedule 1
(Unaudited)

Component/Segment	2013	2014	2015	2016	2017
Hardy Toll Road-North	18,433,687	19,745,713	22,526,309	23,173,858	20,423,602
Hardy Toll Road-South	21,237,338	22,582,166	25,781,244	27,556,761	24,539,597
Sam Houston Tollway-South	71,992,571	73,769,141	77,815,638	81,778,671	82,262,865
Sam Houston Tollway-Central	58,778,449	60,951,356	64,822,097	66,791,573	64,859,879
Sam Houston Tollway-North	74,244,587	76,250,824	79,759,184	81,246,956	77,225,677
Sam Houston Ship Channel Bridge	16,443,541	17,274,970	18,944,058	19,328,018	18,652,445
Sam Houston Tollway-North/East	15,432,417	17,038,513	19,844,104	22,237,159	24,612,792
Sam Houston Tollway-East	22,701,821	23,071,940	25,109,427	26,722,662	26,997,127
Sam Houston Tollway-South/East	29,131,296	29,153,299	32,873,557	35,249,831	35,817,656
Sam Houston Tollway-South/West	33,477,773	31,343,137	36,796,203	41,311,089	42,815,881
Westpark Tollway	43,575,876	45,957,937	48,915,625	51,855,139	52,372,241
Spur 90A / Fort Bend Parkway Extension	3,456,988	3,728,952	4,013,391	4,338,216	4,603,753
Katy Managed Lanes (a)	19,320,467	22,388,942	28,243,333	31,615,049	32,611,540
Tomball Tollway (b)	-	-	-	10,744,952	15,995,964
Total	428,226,811	443,256,890	485,444,170	523,949,934	523,791,019

(a) Katy Managed Lanes include High Occupancy Vehicle non-toll transactions.
(b) Tomball Tollway opened April 2015.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Rate Schedule
Schedule 2
(Unaudited)

Toll Rate Schedule Effective as of September 12, 2015

	Cash/Attended/Automatic Coin Machine Lanes [(a)]	EZ TAG Lanes [(b)]
Two Axle Vehicles		
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.00 - 1.75	$ 0.50 - 1.50
Sam Houston Ship Channel Bridge	N/A	$1.50
Westpark Tollway	N/A	$ 0.40 - 1.50
Fort Bend Parkway Extension (Spur 90A)	$1.75	$1.50
Katy Managed Lanes	N/A	$ 0.30 - 3.20
Tomball Tollway	N/A	$ 0.90 - 1.50
Three to Six Axle Vehicles		
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25 - 8.75	$ 1.25 - 8.75
Sam Houston Ship Channel Bridge	N/A	$ 3.50 - 8.75
Westpark Tollway	N/A	$ 1.00 - 8.75
Fort Bend Parkway Extension (Spur 90A)	N/A	$ 3.50 - 8.75
Katy Managed Lanes	N/A	$7.00
Tomball Tollway	N/A	$ 2.00 - 8.75

(a) This column cosolidates the columns "Attended Lanes" and "Exact Change Langes" in previously published versions of Schedule 2.
(b) These rates do not include amounts charged for toll violations.

Note: The schedule above sets forth the current toll rate schedule for the Toll Road Project, which became effective as of September 12, 2015 and was effective throughout the fiscal year 2017.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Selected Financial Information
Schedule 3
(Unaudited)

	2013	2014	2015	2016	2017
Operating Revenues					
Toll revenues	$ 560,079,182	$ 609,965,677	$ 688,920,884	$ 759,275,927	$ 774,025,958
Intergovernmental revenues	633,607	215,786	-	2,995,091	19,175,649
Total Operating Revenues	560,712,789	610,181,463	688,920,884	762,271,018	793,201,607
Operating Expenses					
Salaries	49,586,864	51,181,705	52,791,017	57,562,773	65,351,353
Materials and supplies	9,937,433	13,289,189	12,468,384	12,595,180	20,875,511
Services and fees	81,449,680	90,902,682	95,914,299	150,321,298	151,572,050
Utilities	3,413,625	3,400,019	3,115,952	3,540,001	3,788,013
Transportation and travel	2,791,510	3,132,094	3,008,253	3,043,332	6,979,787
Depreciation	88,186,025	90,149,522	94,431,249	101,301,061	106,852,470
Total Operating Expenses	235,365,137	252,055,211	261,729,154	328,363,645	355,419,184
Income from Operations	325,347,652	358,126,252	427,191,730	433,907,373	437,782,423
Nonoperating Revenues					
Investment income	27,068,382	5,051,716	20,471,612	15,965,906	7,000,884
Lease revenues	24,100	26,700	21,814	18,900	18,900
Miscellaneous Income	766,331	1,061,250	1,922,228	46,073,792	3,031,204
Total Nonoperating Revenues	27,858,813	6,139,666	22,415,654	62,058,598	10,050,988
Nonoperating Expenses					
Interest expense	99,123,166	92,818,557	91,521,555	87,107,618	75,454,167
Bond Issuance Costs	-	-	-	1,744,844	3,233,525
Amortization expense	51,260,387	40,487,937	14,966,359	2,880,926	4,051,144
Other nonoperating expenses	298,582	642,823	224,360,951	3,163,575	327,654
Total Nonoperating Expenses	150,682,135	133,949,317	330,848,865	94,896,963	83,066,490
Net Income Before Contributions and Transfers Out	202,524,330	230,316,601	118,758,519	401,069,008	364,766,921
Transfers In	86,523	-	157,037	-	-
Transfers Out (a)	(120,035,799)	(121,047,886)	(121,925,426)	(124,031,107)	(134,000,000)
Change in Net Position	$ 82,575,054	$ 109,268,715	$ (3,009,870)	$ 277,037,901	$ 230,766,921

(a) Commissioners Court annually authorizes the transfer of Harris County Toll Road Authority net income for funding of County thoroughfares that enhance traffic flow to current and proposed toll facilities and to increase mobility.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Historical Toll Road Operating Results and Coverages
Schedule 4
(Unaudited)

Fiscal Year Ending	Project Revenues	(a) Other Earnings	Debt Service Senior Lien Revenue Bonds (c)	Coverage Ratio On Senior Lien Revenue Bonds	(b) O & M Expenses	Revenues Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
2008	$ 428,867,531	$ 50,694,456	$ 85,536,226	5.607	$ 85,131,990	$ 308,893,771	$ 74,690,589	4.136
2009	442,015,417	42,667,384	99,699,357	4.861	104,062,177	280,921,267	73,760,398	3.809
2010	455,547,954	35,046,568	103,633,212	4.734	120,029,107	266,932,203	87,130,769	3.064
2011	481,346,283	14,507,528	141,045,057	3.516	121,195,357	233,613,397	85,923,975	2.719
2012	519,296,886	45,625,135	140,612,020	4.018	120,679,625	303,630,376	85,172,767	3.565
2013	560,079,182	27,721,804	139,230,673	4.222	126,516,150	322,054,163	84,627,966	3.806
2014	609,965,677	5,293,713	147,728,476	4.165	136,373,150	331,157,764	73,812,290	4.486
2015	688,920,884	20,493,426	141,159,484	5.026	154,740,075	413,514,751	82,855,667	4.991
2016	759,275,927	18,979,897	142,199,571	5.473	203,809,584	432,246,669	58,516,811	7.387
2017	774,025,958	26,195,433	148,479,580	5.389	215,238,531	436,503,280	42,799,012	10.199

(a) Total investment income less interest revenue from the Office Building. Includes lease revenue income and intergovernmental income.

(b) O&M expenses are from TRA Operations and Maintenance funds.

(c) The Debt Service Senior Lien Revenue amount for fiscal years 2011-2015 has been restated to include swap interest and certain other interest payments that were not previously included, to reflect debt service as defined in the bond indentures.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Revenues by Toll Road Components/Segments
Schedule 5
(Unaudited)

Component/Segment	2013	2014	2015	2016	2017
Hardy Toll Road-North	$ 23,105,024	$ 26,087,773	$ 30,484,767	$ 31,084,565	$ 26,437,979
Hardy Toll Road-South (a)	26,149,867	28,888,653	32,934,474	35,037,979	31,638,787
Sam Houston Tollway-South	87,599,580	94,450,310	100,818,123	105,326,514	105,453,467
Sam Houston Tollway-Central	76,180,460	82,725,157	89,664,185	92,621,249	89,313,891
Sam Houston Tollway-North	93,172,078	100,831,887	107,823,763	108,921,231	102,728,300
Sam Houston Ship Channel Bridge	28,611,706	29,956,041	32,543,323	32,232,095	27,783,262
Sam Houston Tollway-East	29,687,922	31,564,555	34,727,037	37,370,417	37,318,341
Sam Houston Tollway-South/East	37,535,888	39,360,926	44,281,024	48,811,909	49,393,072
Sam Houston Tollway-South/West	39,284,945	37,485,698	47,003,729	53,267,187	55,138,612
Sam Houston Tollway-North/East	17,649,388	20,156,797	23,900,271	26,825,495	30,091,751
Westpark Tollway	46,825,290	51,442,972	54,735,176	57,980,110	58,972,968
Spur 90A	4,405,854	4,950,869	5,343,739	5,772,065	6,172,055
Katy Managed Lanes	10,331,568	13,924,091	17,428,859	18,344,245	18,442,791
Tomball Tollway (d)	-	-	-	14,479,134	21,488,181
Administration (b)	22,633,355	25,901,055	36,301,290	50,166,867	56,521,738
Fort Bend	1,687,739	1,774,907	2,950,781	3,330,295	3,675,862
MCTRA (e)	-	-	-	180,767	340,662
IOP-NTTA (c)	6,810,725	8,627,655	10,497,290	13,339,753	15,586,467
IOP-TTA (c)	8,231,949	11,249,883	16,585,363	23,106,134	35,208,801
IOP-CTRMA (c)	75,103	125,714	221,296	322,873	428,410
IOP-Metro (c)	100,741	460,734	676,394	755,043	815,826
Banc Pass (f)	-	-	-	-	1,074,735
Total	$ 560,079,182	$ 609,965,677	$ 688,920,884	$ 759,275,927	$ 774,025,958

(a) Includes toll revenues collected for the Airport Connector.
(b) Consist of EZ tag fees, video enforcement center deposits, unpaid tolls, bank debits and credits and replacement identification fees.
(c) Revenues attributable to the Statewide Toll Interoperability Program, pursuant to various agreements.
(d) Tomball Tollway opened April 2015.
(e) Interlocal agreement with Montgomery County Toll Road Authority to collect tolls as of July 2015.
(f) Revenues attributable to County's agreement with Banc Pass.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
Toll Road Bonds Debt Service Requirements
Schedule 6
(Unaudited)

Fiscal	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Bonds Debt Service		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	$ 26,610,000	$ 15,127,731	$ 41,737,731	$ 70,600,000	$ 77,408,066	$ 148,008,066	$ 97,210,000	$ 92,535,797	$ 189,745,797
2019	27,445,000	13,742,050	41,187,050	71,735,000	74,959,357	146,694,357	99,180,000	88,701,407	187,881,407
2020	28,345,000	12,277,562	40,622,562	74,600,000	72,138,554	146,738,554	102,945,000	84,416,116	187,361,116
2021	29,285,000	10,764,775	40,049,775	77,580,000	68,589,844	146,169,844	106,865,000	79,354,619	186,219,619
2022	19,445,000	9,485,613	28,930,613	82,165,000	64,857,094	147,022,094	101,610,000	74,342,707	175,952,707
2023	20,240,000	8,449,022	28,689,022	57,930,000	61,562,319	119,492,319	78,170,000	70,011,341	148,181,341
2024	20,700,000	7,384,903	28,084,903	60,210,000	58,704,944	118,914,944	80,910,000	66,089,847	146,999,847
2025	21,165,000	6,297,059	27,462,059	62,570,000	55,736,881	118,306,881	83,735,000	62,033,940	145,768,940
2026	12,070,000	5,430,338	17,500,338	63,255,000	52,645,706	115,900,706	75,325,000	58,076,044	133,401,044
2027	12,090,000	4,796,138	16,886,138	61,510,000	49,558,275	111,068,275	73,600,000	54,354,413	127,954,413
2028	12,115,000	4,160,756	16,275,756	59,850,000	46,559,887	106,409,887	71,965,000	50,720,643	122,685,643
2029	12,135,000	3,524,194	15,659,194	63,375,000	43,507,993	106,882,993	75,510,000	47,032,187	122,542,187
2030	12,160,000	2,886,450	15,046,450	67,085,000	40,299,393	107,384,393	79,245,000	43,185,843	122,430,843
2031	12,185,000	2,247,394	14,432,394	78,940,000	36,717,993	115,657,993	91,125,000	38,965,387	130,090,387
2032	12,210,000	1,607,025	13,817,025	83,210,000	32,723,556	115,933,556	95,420,000	34,330,581	129,750,581
2033	12,240,000	965,212	13,205,212	86,810,000	28,516,881	115,326,881	99,050,000	29,482,093	128,532,093
2034	12,265,000	321,956	12,586,956	91,955,000	24,221,044	116,176,044	104,220,000	24,543,000	128,763,000
2035	-	-	-	100,865,000	19,763,667	120,628,667	100,865,000	19,763,667	120,628,667
2036	-	-	-	105,705,000	15,169,169	120,874,169	105,705,000	15,169,169	120,874,169
2037	-	-	-	39,180,000	11,640,500	50,820,500	39,180,000	11,640,500	50,820,500
2038	-	-	-	29,640,000	9,920,000	39,560,000	29,640,000	9,920,000	39,560,000
2039	-	-	-	31,165,000	8,399,875	39,564,875	31,165,000	8,399,875	39,564,875
2040	-	-	-	17,640,000	7,179,750	24,819,750	17,640,000	7,179,750	24,819,750
2041	-	-	-	18,160,000	6,284,750	24,444,750	18,160,000	6,284,750	24,444,750
2042	-	-	-	11,210,000	5,550,500	16,760,500	11,210,000	5,550,500	16,760,500
2043	-	-	-	14,885,000	4,898,125	19,783,125	14,885,000	4,898,125	19,783,125
2044	-	-	-	15,485,000	4,138,875	19,623,875	15,485,000	4,138,875	19,623,875
2045	-	-	-	16,120,000	3,348,750	19,468,750	16,120,000	3,348,750	19,468,750
2046	-	-	-	16,890,000	2,523,500	19,413,500	16,890,000	2,523,500	19,413,500
2047	-	-	-	17,495,000	1,663,875	19,158,875	17,495,000	1,663,875	19,158,875
2048	-	-	-	18,230,000	770,750	19,000,750	18,230,000	770,750	19,000,750
2049	-	-	-	3,100,000	237,500	3,337,500	3,100,000	237,500	3,337,500
2050	-	-	-	3,200,000	80,000	3,280,000	3,200,000	80,000	3,280,000
Total	$302,705,000	$ 109,468,178	$ 412,173,178	$ 1,672,350,000	$ 990,277,373	$2,662,627,373	$1,975,055,000	$ 1,099,745,551	$3,074,800,551

TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
OUTSTANDING TOLL ROAD TAX BONDS
Schedule 7
(Unaudited)

The Series 1997 and Series 2007C Tax Bonds are collectively referred to as the "Toll Road Tax Bonds".

Issue	Date Issued	Outstanding Principal Amount at February 28, 2017
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series, 1997	August 1997	$ 26,005,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2007C	August 2007	276,700,000
TOTAL		$ 302,705,000

TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS
Schedule 8
(Unaudited)

The Series 2007A, Series 2007B, Series 2008B, Series 2009A, Series 2009C, Series 2010D, Series 2012A, Series 2012B, Series 2012C, Series 2012D, Series 2015B, and Series 2016A are referred to as the "Senior Lien Revenue Bonds".

Issue	Outstanding Principal Amount at February 28, 2017
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2007A	$ 233,275,000
Refunding Bonds Series 2007B	145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2008B	8,695,000
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2009A	52,425,000
Refunding Bonds Series 2009C	67,500,000
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2010D	22,775,000
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2012A	39,915,000
Refunding Bonds Series 2012B	139,500,000
Refunding Bonds Series 2012C	229,695,000
Refunding Bonds Series 2012D	41,320,000
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2015B	161,575,000
Harris County, Texas, Toll Road Senior Lien Revenue	
Refunding Bonds Series 2016A	530,105,000
TOTAL	$ 1,672,350,000

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2016-2017
Schedule 9
(Unaudited)

On February 14, 2017 the Commissioners Court adopted the budget for the County for the Fiscal Year 2017-2018. The Fiscal Year 2018 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2017-2018 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2017	$ 916,490,683
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,400,776,642
Charges for Services	245,490,127
Fines and Forfeitures	21,161,487
Intergovernmental Revenues	47,152,988
Interest	4,182,716
Other	52,069,680
Total Cash and Estimated Revenues	$ 2,687,324,323
Appropriations:	
Current Operating Expenses	$ 2,665,764,494
Capital Outlay:	
Roads	3,267,108
Parks	16,455,926
Office/Courts	1,836,795
Total Appropriations	$ 2,687,324,323

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY CAPITAL PROJECTS FUNDS BUDGETING
Schedule 10
(Unaudited)

County Capital Projects Funds are used in projects including construction of roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2017 derived from the sale of bonds and other sources and the investment income (except investment income may be used for debt service) thereon, are designated to be spent over a period of several years for the following purposes:

Roads	$	167,543,887
Permanent Improvements		69,391,924
Reliant Park		5,088,420
Flood Control		229,218,788
Total	$	471,243,019

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY ASSESSED VALUES AND TAX RATES
(EXCEPT FLOOD CONTROL DISTRICT)

LAST TEN FISCAL YEARS
Schedule 11
(Unaudited)
(amounts in thousands)

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value	M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2008	$ 281,251,230	$ 46,122,092	$ 73,150,566	$ 254,222,756	0.33918	0.05321	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265	0.33815	0.05108	0.38923
2010	316,949,419	54,044,038	85,902,801	285,090,656	0.33401	0.05823	0.39224
2011	307,139,208	51,636,041	85,743,093	273,032,156	0.33401	0.05404	0.38805
2012	313,475,950	51,539,733	88,299,285	276,716,398	0.33444	0.05673	0.39117
2013	324,827,229	57,313,966	91,639,208	290,501,987	0.33271	0.06750	0.40021
2014	347,626,720	62,743,816	93,848,695	316,521,841	0.34547	0.06908	0.41455
2015	384,362,133	65,476,453	99,412,873	350,425,713	0.34547	0.07184	0.41731
2016	425,362,614	74,298,323	108,139,145	391,521,792	0.34547	0.07376	0.41923
2017	465,761,511	71,377,390	115,700,039	421,438,862	0.34500	0.07156	0.41656

(a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of $160,000 ($156,240 prior to 2008).

Source: Harris County Appraisal District.

Note: Property in the County must be revalued every three years. Property is assessed at market value; therefore, the taxable values are equal to market value less applicable exemptions. Tax rates are per $100 of assessed value.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY TAX LEVIES AND COLLECTIONS
(EXCEPT FLOOD CONTROL DISTRICT)

LAST TEN FISCAL YEARS
Schedule 12
(Unaudited)
(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	$ 929,929	$ 991,150	$ 910,828	97.9%	$ 77,891	$ 988,719	99.8%
2009	1,089,141	1,085,421	981,807	90.1	100,842	1,082,649	99.7
2010	1,114,429	1,101,460	1,036,477	93.0	62,036	1,098,513	99.7
2011	1,058,623	1,050,226	987,684	93.3	59,790	1,047,474	99.7
2012	1,081,861	1,073,154	1,022,187	94.5	48,139	1,070,326	99.7
2013	1,160,905	1,150,379	1,100,588	94.8	46,566	1,147,154	99.7
2014	1,308,910	1,293,515	1,247,389	95.3	40,785	1,288,174	99.6
2015	1,459,066	1,443,477	1,390,628	95.3	42,676	1,433,304	99.3
2016	1,637,031	1,637,031	1,554,734	95.0	56,495	1,611,229	98.4
2017	1,754,007	1,754,007	1,663,289	94.8	-	1,663,289	94.8

* For reporting purposes refunds associated with a prior year are netted against the prior year collections.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)
Schedule 13
(Unaudited)

	2017			2008		
Taxpayers	2016 Taxable Valuations (a)	Rank	Percentage of Total 2016 Taxable Valuation (b)	2006 Taxable Valuations (a)	Rank	Percentage of Total 2007 Taxable Valuation (c)
Centerpoint Energy, Inc.	$ 3,298,689	1	0.78%	$ 2,526,174	3	0.99%
Exxon Mobil Corp	3,143,496	2	0.75	3,845,810	1	1.51
Chevron Chemical Company	2,544,661	3	0.60	1,296,919	6	0.51
Shell Oil Co	2,227,743	4	0.53	2,830,089	2	1.11
Equistar Chemicals LP	1,574,748	5	0.37	1,309,415	5	0.52
Palmetto TransOceanic LLC	1,289,093	6	0.31	-		0.00
National Oilwell Inc	1,151,702	7	0.27	-		0.00
Hewlett Packard	1,134,352	8	0.27	1,062,117	9	0.42
Cousins Greenway	1,090,950	9	0.26	-		0.00
Crescent HC and 4HC Investors LLC	986,584	10	0.23	1,374,136	4	0.54
Crescent HC Investors LP	838,097	11	0.20	-		0.00
Celanese LTD	758,564	12	0.18	-		0.00
Valero Energy Corp	749,775	13	0.18	-		0.00
Baker Hughes	693,011	14	0.16	-		0.00
HG Galleria I II III LP	687,115	15	0.16	-		0.00
Houston Refining	-		0.00	1,174,204	7	0.46
Hines Interests Ltd Partnership	-		0.00	1,066,965	8	0.42
Southwestern Bell	-		0.00	1,022,144	10	0.40
Lyondell Chemical	-		0.00	896,558	11	0.35
Walmart	-		0.00	675,896	12	0.27
Rohm & Haas Co	-		0.00	594,154	13	0.23
Teachers Insurance	-		0.00	589,278	14	0.23
Nabors Drilling USA LP	-		0.00	507,727	15	0.20
Total	$ 22,168,580		5.26%	$ 20,771,586		8.16%

Source: Harris County Appraisal District.

(a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.

(b) Based on the County's total taxable value as of February 28, 2017.

(c) Based on the County's total taxable value as of February 28, 2008.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY TAX DEBT OUTSTANDING
Schedule 14
(Unaudited)

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	$ 1,010,955,646
Unlimited Tax Debt	785,652,228
Flood Control	507,205,000
Toll Road Tax Bonds	302,705,000
Total	$ 2,606,517,874
Less: Toll Road Tax Bonds	(302,705,000)
Total (Approximately 0.43% of 2016 Assessed Value)	$ 2,303,812,874

(a) Excluding Flood Control District debt of $83,075,000 paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY HISTORICAL TAX DEBT OUTSTANDING
Schedule 15
(Unaudited)

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal years 2007-08 through 2016-17.

Fiscal Year	County's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
2008	$ 2,768,709	$ 254,222,756	1.09	3,935,855	$ 703
2009	2,981,996	282,177,265	1.06	3,984,349	748
2010	2,854,982	285,090,656	1.00	4,070,989	701
2011	2,925,447	273,032,156	1.07	4,092,459	715
2012	2,990,172	276,716,398	1.08	4,178,574	716
2013	2,825,047	290,501,987	0.97	4,253,700	664
2014	2,713,804	316,521,841	0.86	4,336,853	626
2015	2,765,888	350,425,713	0.79	4,441,370	623
2016	2,759,388	391,521,792	0.70	4,538,028	608
2017	2,606,518	421,438,862	0.62	4,589,928	568

(a) Includes debt paid for by the County's ad valorem tax revenues.

(b) Taxable values are net of exemptions and abatements. Property is assessed at 100% of appraised value.

(c) Source: Bureau of the Census.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
SCHEDULE OF COUNTY-WIDE AD VALOREM TAX DEBT SERVICE REQUIREMENTS
SCHEDULE 16
(Unaudited)
(amounts in thousands)

Fiscal	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	$ 73,706	$ 54,318	$ 128,024	$ 36,417	$ 38,525	$ 74,942	$ 26,610	$ 15,128	$ 41,738	$ 25,955	$ 28,300	$ 54,255	$ 162,688	$ 136,271	$ 298,959
2019	80,526	51,803	132,329	51,405	37,143	88,548	27,445	13,742	41,187	26,705	27,624	54,329	186,081	130,312	316,393
2020	75,006	48,741	123,747	47,250	34,584	81,834	28,345	12,278	40,623	28,025	26,313	54,338	178,626	121,916	300,542
2021	83,830	36,727	120,557	52,395	32,226	84,621	29,285	10,765	40,050	29,495	24,841	54,336	195,005	104,559	299,564
2022	91,810	32,820	124,630	35,595	29,654	65,249	19,445	9,486	28,931	30,980	23,360	54,340	177,830	95,320	273,150
2023	70,480	28,435	98,915	65,540	27,900	93,440	20,240	8,449	28,689	32,605	21,733	54,338	188,865	86,517	275,382
2024	54,661	36,827	91,488	67,495	24,724	92,219	20,700	7,385	28,085	34,235	20,103	54,338	177,091	89,039	266,130
2025	82,827	34,919	117,746	59,370	21,416	80,786	21,165	6,297	27,462	35,950	18,391	54,341	199,312	81,023	280,335
2026	46,194	31,301	77,495	50,025	18,534	68,559	12,070	5,430	17,500	37,665	16,978	54,643	145,954	72,243	218,197
2027	57,840	16,861	74,701	50,375	16,033	66,408	12,090	4,796	16,886	39,125	15,094	54,219	159,430	52,784	212,214
2028	58,970	13,946	72,916	50,740	13,514	64,254	12,115	4,161	16,276	40,025	13,138	53,163	161,850	44,759	206,609
2029	39,725	25,453	65,178	51,245	10,977	62,222	12,135	3,524	15,659	41,045	11,137	52,182	144,150	51,091	195,241
2030	30,400	9,238	39,638	41,355	8,415	49,770	12,160	2,886	15,046	40,100	9,085	49,185	124,015	29,624	153,639
2031	31,745	7,694	39,439	39,205	6,347	45,552	12,185	2,247	14,432	27,390	7,080	34,470	110,525	23,368	133,893
2032	33,155	6,116	39,271	39,790	4,374	44,164	12,210	1,607	13,817	10,970	6,049	17,019	96,125	18,146	114,271
2033	29,835	4,458	34,293	15,050	2,373	17,423	12,240	965	13,205	11,520	5,500	17,020	68,645	13,296	81,941
2034	8,430	3,512	11,942	15,805	1,620	17,425	12,265	322	12,587	12,095	4,925	17,020	48,595	10,379	58,974
2035	8,855	3,091	11,946	16,595	830	17,425	-	-	-	12,700	4,320	17,020	38,150	8,241	46,391
2036	9,295	2,648	11,943	-	-	-	-	-	-	13,335	3,685	17,020	22,630	6,333	28,963
2037	7,900	2,183	10,083	-	-	-	-	-	-	14,005	3,018	17,023	21,905	5,201	27,106
2038	8,295	1,788	10,083	-	-	-	-	-	-	14,705	2,318	17,023	23,000	4,106	27,106
2039	8,715	1,373	10,088	-	-	-	-	-	-	15,440	1,582	17,022	24,155	2,955	27,110
2040	9,150	938	10,088	-	-	-	-	-	-	16,210	810	17,020	25,360	1,748	27,108
2041	9,605	480	10,085	-	-	-	-	-	-	-	-	-	9,605	480	10,085
Total	$ 1,010,955	$ 455,670	$ 1,466,625	$ 785,652	$ 329,189	$ 1,114,841	$ 302,705	$ 109,468	$ 412,173	$ 590,280	$ 295,384	$ 885,664	$ 2,689,592	$ 1,189,711	$ 3,879,303

(a) Includes Flood Control District debt paid for by the District's ad valorem tax revenues and debt paid for by the County's ad valorem tax revenues as a result of refunded commercial paper.

TOLL ROAD AUTHORITY ENTERPRISE FUND
OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS
Schedule 17
(Unaudited)
(Amounts in Thousands)

As of February 28, 2017, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2001, November 2007, November 2013, and November 2015 remain unissued.

The Schedule reflects the County's use of voted authority when it issues general obligation commercial paper notes pursuant to its Series B (parks and libraries) and Series C (roads and bridges) programs.

County Ad Valorem Tax Bonds		
Limited Tax:		
Civil Justice Center	$ 33,000	
Parks	81,942	
Forensic Lab	10,000	
Family Law Center	70,000	
Joint Processing Center	47,754	
Animal Shelter	23,503	
Total Limited Tax Bonds		$ 266,199
Unlimited Tax:		
Road Bonds	760,780	
Total Unlimited Tax Bonds		760,780
Combination Unlimited Tax and Revenue:		
Toll Roads	15,148	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		64,000
Total Harris County Ad Valorem Tax Bonds		1,106,127
Total Authorized but Unissued Bonds		$1,106,127

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
COUNTY GENERAL FUND BALANCES
LAST TEN FISCAL YEARS (modified accrual basis of accounting)
Schedule 18
(amounts in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Harris County General Fund:										
Reserved	$ 175,956	$ 202,321	$ 283,664	$ 341,139	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	192,616	166,726	59,063	(22,290)	-	-	-	-	-	-
Nonspendable	-	-	-	-	4,840	4,463	5,134	6,805	7,958	8,733
Restricted	-	-	-	-	280,566	347,309	429,372	462,289	530,903	546,613
Committed	-	-	-	-	2,120	2,847	2,508	-	-	-
Assigned	-	-	-	-	33,491	24,013	14,622	16,833	27,856	23,822
Unassigned	-	-	-	-	91,927	189,799	355,857	549,705	782,372	1,008,332
Total general fund	$ 368,572	$ 369,047	$ 342,727	$ 318,849	$ 412,944	$ 568,431	$ 807,493	$ 1,035,632	$ 1,349,089	$ 1,587,500

Note: GASB Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions, replaced the categories that previously had been used to classify fund balance. The County implemented GASB No. 54 for fiscal year 2012.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Schedule 19
(Unaudited)

	Full-time Equivalent Employees as of February 28/29									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Administration of Justice	8,740	9,425	9,308	8,779	8,462	8,723	9,290	9,625	9,768	9,824
Parks	732	787	797	670	625	675	700	805	867	892
County Administration	3,024	3,339	3,161	3,032	2,901	2,957	3,021	3,166	3,280	3,406
Health and Human Services	1,706	1,796	1,718	1,467	1,385	1,326	1,334	1,369	1,432	1,450
Flood Control	325	354	374	335	308	290	300	291	287	293
Tax Administration	435	428	415	378	341	340	349	348	368	353
Roads and Bridges	807	856	914	597	561	536	550	448	451	563

Note: (1) As of February 28, 2017, it is estimated that approximately 3,153 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.
(2) This schedule represents the number of County employees at the end of each fiscal year.