HARRIS COUNTY TOLL ROAD AUTHORITY

HARRIS COUNTY TOLL ROAD AUTHORITY ENTERPRISE FUND

A Department of Harris County, Texas

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2016

Prepared By:
Barbara J. Schott, CPA
County Auditor

Toll Road Authority Enterprise Fund of Harris County, Texas

Financial Statements As of February 29, 2016 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 29, 2016

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INTRODUCTORY SECTION

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HARRIS COUNTY AUDITOR

August 12, 2016

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 29, 2016. 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 report consists of management's representations concerning the finances of the Authority. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 7.

Management of the 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 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 the fiscal year ended February 29, 2016 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 Authority's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE AUTHORITY

History

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 first two components of the toll road system, the Hardy Toll Road and the Sam Houston Tollway-West were completed in 1987 and 1990 respectively. In 1994, the County purchased the Jesse H. Jones Memorial Bridge toll facility from the Texas Turnpike Authority, which was renamed the Sam Houston Ship Channel Bridge. In 2004, the Harris County Toll Road Authority opened the Westpark Tollway; and in February 2011, the 13-mile Sam Houston Tollway Northeast section opened with all-electronic tolling.

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 improves mobility in the Greater Houston Metropolitan area through excellence in the operation of urban toll highway systems, while upholding a commitment to leadership, public service and quality of life.

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 (viii) Human Resources. The Authority currently has approximately 1,100 employees, roughly 750 of which are full-time employees.

Budget Process

In accordance with Chapter 111 of the 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. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the Harris County General Fund is at the department level; for other funds budgetary control is implemented at various levels. For example, budgetary control for debt service funds is at the individual bond issue level. The Authority's budget 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, intergovernmental contracts, and new source revenue not anticipated at budget adoption. Purchase orders and contracts are not valid until the County Auditor certifies availability of funds for payment of the obligation. Encumbrance accounting is utilized to ensure effective budgetary control and accountability.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The Houston – Woodlands – Sugar Land Metropolitan Statistical Area ("Houston MSA"), the fifth largest metropolitan area in the United States, had 2,995,100 payroll jobs in May 2016 with an unemployment rate of 4.8 percent.

The Houston Association of Realtors reported that the inventory of homes in May 2016 was 3.6 months' supply compared with 3.0 months in May 2015. During this same period, the average price of a single-family home declined to $290,931, a 0.5 percent decrease.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile-long complex of diversified public and private facilities along the Houston Ship Channel. In 2013, the Port was ranked first in the United States in the volume of foreign tonnage and was the largest container port on the Gulf of Mexico.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, and state of the art telecommunication services. The Houston Airport System experienced its highest-ever passenger volume in 2015 with more than 55 million passengers, an increase of almost four percent over 2014.

As of the 2010 U.S. Census, Harris County had a population of 4.1 million, making it the most populous county in Texas and the third most populous county in the United States, ranking behind Los Angeles County, California and Cook County, Illinois. Twenty-four companies on the 2016 *Fortune 500* list are headquartered in the Houston – Woodlands – Sugar Land Metropolitan Statistical Area. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 68 and Chicago with 34.

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's three medical schools are the University of Texas Medical School, Baylor College of Medicine, and the Houston Campus of the Texas A&M Health Science Center College of Medicine.

Financial Policies and Long-Term Financial Planning

Some of the County's financial policies and strategies are:

- The County will continue to focus on building a strong balance sheet to maintain both financial stability and current high bond ratings;

- Budget Management does not expect to recommend issuing road or flood control bonds, approved by the voters in November 2015, during the 2016-2017 fiscal year; and

- Budget Management will work with the County Engineer to review the formulas used in the allocation of future mobility funds and road bond proceeds and recommend any changes for Court consideration.

Authority funds available for investment under the County's investment program as of February 29, 2016 totaled $1.202 million with investment earnings of $16 million for the fiscal year. The average yield and maturity of such investments were 1.1% and 1-12 years.

The County provides retirement, disability, and death benefits for all of its employees (excluding temporary) through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). 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 employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2016 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post-employment benefits can be found in Notes 8 and 9 of the notes to the financial statements.

Major Initiatives

The Authority continues moving forward on projects authorized by Commissioners Court including the Hardy Toll Road Downtown Connector and extending the existing Tomball Tollway from north of the Tomball Bypass to the Harris County line.

ACKNOWLEDGMENTS

I wish to express my gratitude to the Commissioners Court, District Judges, and other County and District 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.

Barbara J. Schott, 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 29, 2016, 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 29, 2016, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the basic financial statements referred to above present only the financial position and results of operation of the Toll Road Authority and are not intended to present the financial position and results of operations of the County, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, in 2016 the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 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 49-52 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 12, 2016

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 29, 2016.

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.

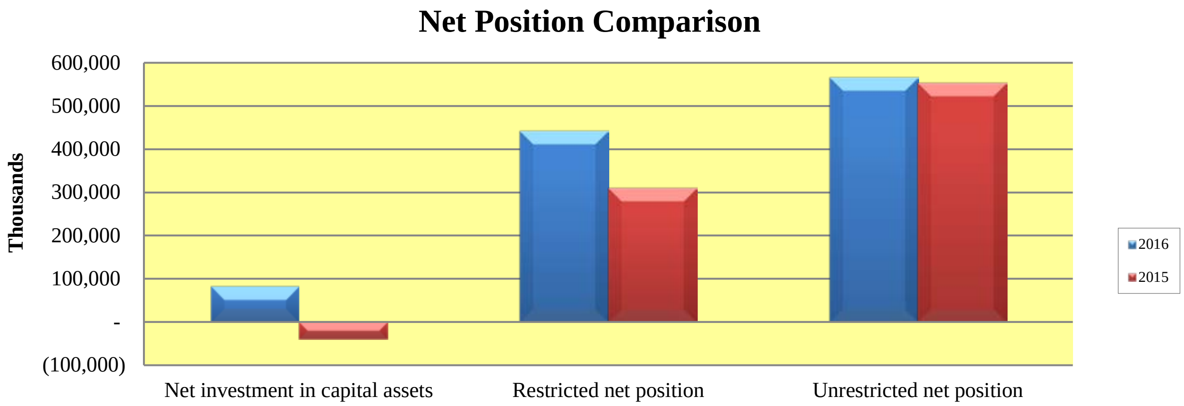
FINANCIAL HIGHLIGHTS

- Total net position is comprised of the following:

  (1) Net investment in capital assets of $81,645,202, 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 $121,351,005 from the previous year.

  (2) Net position of $442,737,490 is restricted by constraints imposed from outside the Authority such as debt obligations, laws, or regulations. Restricted net position increased by $131,188,434 from the prior year due to an increase in the restricted for capital projects.

  (3) Unrestricted net position of $566,977,569 represents the portion available to meet ongoing obligations of the Authority. Unrestricted net position increased $13,046,328 after the restatement of net position due to the implementation of the new pensions standards discussed in Note 1.



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 29, 2016 by $1,091,360,261 and $825,774,494 for fiscal year ended 2015. Revenues exceeded expenses during the current year, increasing net position by $277,037,901, after the net position has been adjusted for the pension liability and expense attributable to prior years based on the implementation of new GASB standards.

Harris County Toll Road Authority Enterprise Fund
Condensed Statement of Net Position
February 29, 2016 and February 28, 2015
(Amounts in thousands)

	2016	2015
Current assets	$ 1,204,269	$ 1,177,171
Capital assets, net	2,242,988	2,167,888
Other non-current assets	33,668	37,931
Total assets	3,480,925	3,382,990
Deferred outflows of resources	101,897	71,439
Current liabilities	232,633	314,575
Non-current liabilities	2,184,026	2,244,025
Total liabilities	2,416,659	2,558,600
Deferred inflows of resources	74,803	70,055
Net position:		
Net investment in capital assets	81,645	(39,706)
Restricted	442,737	311,549
Unrestricted	566,978	553,931
Total net position	$ 1,091,360	$ 825,774

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.

Another portion of the Authority's current fiscal year net position reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, and infrastructure) net of accumulated depreciation less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. There was a decrease in related debt of $107,756,142, a decrease in unspent proceeds of $61,505,801, while capital assets increased by $75,100,664, causing an overall increase in net investment in its capital assets of $121,351,005. Although the Authority's net investment in its capital assets is reported, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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 Activities
(In Thousands)
For the Years Ended February 29, 2016 and February 28, 2015

	2016	2015
Revenues:		
Operating revenues:		
Toll revenue	$ 759,276	$ 688,921
Intergovernmental revenue	2,995	-
Nonoperating Revenues:		
Investment income	15,966	20,471
Lease revenue	19	22
Miscellaneous revenue	46,074	1,922
Total revenues	824,330	711,336
Expenses:		
Operating Expenses:		
Salaries	57,563	52,791
Materials and supplies	12,595	12,469
Services and fees	150,321	95,914
Utilities	3,540	3,116
Transportation and travel	3,043	3,008
Depreciation and amortization	101,301	94,431
Nonoperating Expenses:		
Interest expense	87,108	91,522
Bond Issuance Costs	1,745	-
Amortization expense	2,881	14,966
Loss on disposal of capital assets	3,164	116
Other	-	224,245
Total expenses	423,261	592,578
Income before transfers	401,069	118,758
Transfers in	-	157
Transfers out	(124,031)	(121,925)
Change in net position	277,038	(3,010)
Net position - beginning	825,774	828,784
Implementation of new accounting standard	(11,452)	
Net position - beginning, as restated	814,322	828,784
Net position - ending	$ 1,091,360	$ 825,774

Revenues

Total revenues for fiscal year 2016 were $824,329,616, an increase of $112,993,078 in revenues from fiscal year 2015 of $711,336,538.

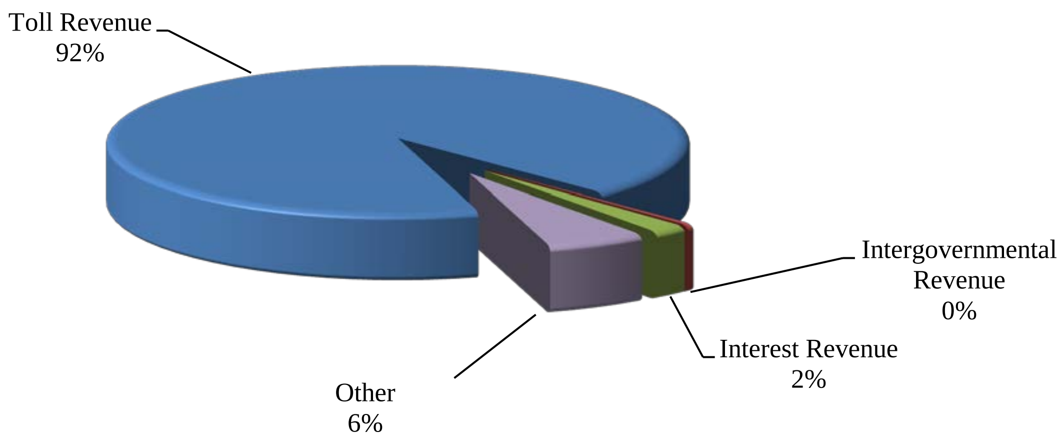
The largest revenue source is toll revenue of $759,275,927 or 92% of total revenues. This revenue category increased $70,355,043 from fiscal year 2015. This is primarily due to increased usage and rates at the toll plazas. The biggest increases were noted at the Sam Houston South/West, ($6.3M), Sam

Houston South/East ($4.5M), Sam Houston South ($4.5M), Westpark Tollway ($3.2M), and the new Tomball Parkway ($14.5M) which opened April 2015. There was an overall increase of $23.8M from EZ tag fees, unpaid tolls, replacement fees, etc., and interlocal agreement programs.

Other revenues totaled $46,092,692 or less than 6% of total revenues. Other revenue consists of intergovernmental revenue of lease revenue of $18,900 and miscellaneous revenue of $46,073,792. Miscellaneous revenue consists of $45 million that relates to the agreement with the State for the County's commitment towards the US 290 project. The original agreement was for a $200 million commitment from the County of which $100 million was paid in FY15 and the remaining $100 million was accrued. In FY 16, the commitment was reduced to $155 million, with $55 million paid and the $100 million previously accrued was reversed, resulting in $45 million reported as miscellaneous revenue. Intergovernmental revenue of $2,995,091 is less than 1% of total revenues.

Interest revenue for fiscal year 2016 totaled $15,965,906 and comprises 2% of total revenues. This revenue source decreased $4,505,706 from fiscal year 2015 of $20,471,612.

REVENUES BY SOURCE
Year ended February 29, 2016



Expenses

For fiscal year ended February 29, 2016, expenses totaled $423,260,608 and decreased $169,317,411 from fiscal year 2015 of $592,578,019 primarily due to the expense related to the $200M agreement with TxDOT which was accrued in fiscal year 2015.

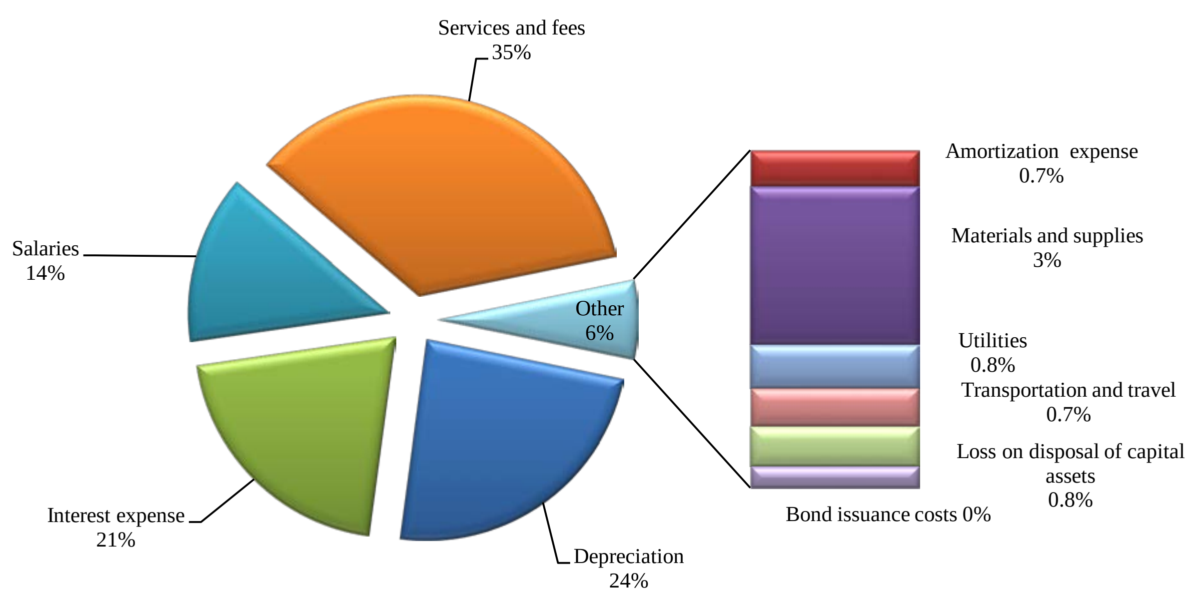
Services and fees of $150,321,298 is the largest expense category and is 35% of total expenses. This increased by $54,406,999 primarily due to increases in road and bridge maintenance and repair and related items.

Interest expense of $87,107,618 is one of the Authority's largest expense categories and is 21% of total expenses. Interest expense reflects the interest and fees incurred on outstanding debt balances and activities during the year.

Salaries expense of $57,562,773 or 14% of total expenses increased by $4,771,756 from fiscal year 2015, due to increase in full-time employees in addition to merit and market salary increases.

The remaining 30% of expenses consists of depreciation (24%), amortization expense (less than 1%), and other expenses (6%) 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 29, 2016



Transfers

Transfers consisted of transfers out of $124,031,107, 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 29, 2016 and February 28, 2015, amounted to $2,242,988,976 and $2,167,888,312, 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 $75,100,664 from fiscal year 2015.

	Balance February 29, 2016	Balance February 28, 2015
Land	$ 57,888,865	$ 37,688,268
Right-of-way	276,696,094	277,303,656
Construction in progress	295,288,589	384,905,344
License agreement	237,500,000	237,500,000
Land improvements	18,865,805	5,160,138
Infrastructure	2,574,449,452	2,348,904,103
Other tangible assets	29,503,155	30,123,590
Buildings	14,344,930	15,938,353
Equipment	98,747,993	92,867,075
	3,603,284,883	3,430,390,527
Less: Accumulated depreciation/amortization	(1,360,295,907)	(1,262,502,215)
Totals	$ 2,242,988,976	$ 2,167,888,312

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 $2,281,937,354. Refer to Note 7 to the financial statements for further detail on the Authority's long-term liabilities.

	Outstanding at February 29, 2016	Outstanding at February 28, 2015 (restated, see Note 1)
Bonds payable	$ 2,222,767,555	$ 2,318,882,305
Compensatory time payable	1,160,190	1,024,622
OPEB obligation	29,416,889	25,658,928
Net pension liability	26,473,095	12,341,962
Pollution remediation obligation	2,119,625	588,825
Totals	$ 2,281,937,354	$ 2,358,496,642

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

- Additional non-toll highways, roads and streets, or improvements and expansions to existing free highways, roads and streets that may be constructed by the County, TXDOT, the City of Houston or other public entities may adversely affect the usage of the toll road. TXDOT continues to improve and expand highways in the Houston region that offer both free highways and tolled competition to the Toll Road. In particular, the completion of the Segments D and E and portions of F and G of the Grand Parkway provide alternatives to portions of the County's toll road system.

- Metro, a regional transit authority, currently operates an extensive bus fleet serving Harris County and all of the City of Houston. Metro 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 in competition with the Toll Road. Metro's High Occupancy Toll ("HOT") lanes and expanded rail service provide additional alternatives to the Toll Road.

Agreement between Harris County and the Texas Department of Transportation:
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 with an effective target date no later than July 1, 2016. The County is to be reimbursed for its financial contribution to the Katy Managed Lanes project by retaining one-third of the tolls paid by EZ Tag customers for use of Katy Managed Lanes.

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 29, 2016

ASSETS	
Current assets:	
Cash and cash equivalents	$ 210,864,805
Investments	711,348,502
Receivables, net	3,770,924
Accrued interest receivable	2,969,907
Other receivables, net	9,605,401
Due from primary government	106,331
Prepaids and other assets	1,380,051
Inventories	4,963,991
Restricted cash and cash equivalents	31,742,315
Restricted investments	227,516,444
Total current assets	1,204,268,671
Non-current assets:	
Restricted investments, held as collateral by others	33,600,000
Notes receivable	68,231
Capital Assets:	
Land and construction in progress	629,873,548
License agreement, net of amortization	207,313,750
Other capital assets, net of depreciation	1,405,801,678
Total non-current assets	2,276,657,207
Total assets	3,480,925,878
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings	24,282,421
Pension contributions after measurement date	749,421
Difference in projected and actual earnings on pension assets	12,290,663
Changes in pension assumptions	1,557,753
Unamortized costs on swap liability	63,016,462
Total deferred outflows of resources	101,896,720
LIABILITIES	
Current liabilities:	
Vouchers payable	53,295,118
Accrued payroll and compensated absences	4,007,210
Retainage payable	6,090,110
Customer deposits	1,160,897
Due to primary government	815,848
Due to other units	116,511
Unearned revenue	69,943,781
Current portion of long-term liabilities	97,203,389
Total current liabilities	232,632,864
Non-current liabilities:	
Bonds payable	2,125,564,166
Pollution remediation payable	2,119,625
Compensatory time payable	452,474
OPEB obligation	29,416,889
Net pension liability	26,473,095
Total non-current liabilities	2,184,026,249
Total liabilities	2,416,659,113
DEFERRED INFLOWS OF RESOURCES	
Difference in projected and actual earnings on pension assets	227,147
Accumulated decrease in fair value of hedging derivatives	74,576,077
Total deferred inflows of resources	74,803,224
NET POSITION	
Net investment in capital assets	81,645,202
Restricted for capital projects	148,611,462
Restricted for debt service	256,455,753
Restricted for operating reserve per bond covenant	37,670,275
Unrestricted	566,977,569
Total net position	$ 1,091,360,261

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 29, 2016

OPERATING REVENUE	
Toll revenue	$ 759,275,927
Intergovernmental	2,995,091
Total operating revenue	762,271,018
OPERATING EXPENSES	
Salaries	57,562,773
Materials and supplies	12,595,180
Services and fees	150,321,298
Utilities	3,540,001
Transportation and travel	3,043,332
Depreciation and amortization	101,301,061
Total operating expenses	328,363,645
Operating income	433,907,373
NONOPERATING REVENUES	
Investment income	15,965,906
Lease income	18,900
Miscellaneous income	46,073,792
Total nonoperating revenues	62,058,598
NONOPERATING EXPENSES	
Interest expense	87,107,618
Bond issuance costs	1,744,844
Amortization expense	2,880,926
Loss on disposal of capital assets	3,163,575
Total nonoperating expenses	94,896,963
Income before transfers	401,069,008
Transfers out	(124,031,107)
Change in net position	277,037,901
Net position, beginning of year (restated, Note 1)	814,322,360
Net position, end of year	$ 1,091,360,261

See notes to the financial statements.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 29, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tolls	$ 768,742,783
Payments to employees	(26,011,844)
Payments to vendors	(165,104,799)
Receipts from miscellaneous reimbursements	1,073,792
Net cash provided by operating activities	578,699,932
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Internal receipts from other funds	576,261
Payments to other governments	(77,530,933)
Transfers to other funds	(124,031,107)
Net cash used for noncapital financing activities	(200,985,779)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from lease of capital assets	18,900
Purchases of capital assets	(178,474,358)
Principal paid on capital debt	(97,710,000)
Interest paid on capital debt	(98,359,125)
Net cash used for capital and related financing activities	(374,524,583)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(806,973,615)
Proceeds from sale and maturity of investments	777,372,862
Interest received	14,295,126
Bond issuance cost	(498,500)
Net cash used for investing activities	(15,804,127)
Net change in cash and cash equivalents	(12,614,557)
Cash and cash equivalents, beginning	255,221,677
Cash and cash equivalents, ending	$ 242,607,120
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 433,907,373
Adjustments to operations:	
Depreciation and amortization	101,301,061
Other nonoperating revenues	1,073,792
Changes in assets and liabilities:	
Receivables, net	32,864
Notes and leases receivable	7,581
Prepaids and other assets	1,167,488
Inventories	(1,542,625)
Vouchers payable and accrued liabilities	36,843,015
Retainage payable	(438,603)
Due to other units	(1,649,086)
Other liabilities	(58,904)
Pollution Payable	1,530,800
Unearned revenue	6,431,320
Compensatory time payable	93,856
Net cash provided by operating activities	$ 578,699,932
Noncash operating, capital and related financing and investing activities:	
Decrease in fair value of hedging derivatives	$ (4,521,382)
Increase in the fair market value of investments	5,600,122
Purchase of capital assets on account	11,538,822

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 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Net pension liability is reported as a line on the balance sheet for the first time and deferred inflows and outflows related to pension are also reported. Pension expense for income statement purposes is calculated differently than it has been in the past and it may be more volatile year to year. Pension expense is the change in net pension liability from year to year, adjusted for the change in deferred inflows/outflows. Previous to GASB 68, pension expense was based on employer contributions.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"), is an amendment to GASB 68. GASB 71 eliminates the source of a potential significant understatement of restated beginning net position and expense in the first year implementation of Statement 68 in accrual basis financial statements.

Implementation of GASB 68 and GASB 71 are reflected in the financial statements, notes to the financial statements, and required supplementary information. Also, with these implementations the beginning net position has been adjusted for the pension liability and pension expenses attributable to prior years.

		Amount
Net position - beginning , as previously stated	$	825,774,494
Recording of net pension liability as of February 28, 2015	$	(12,341,962)
Deferral for pension contributions made after the measurement date		889,828
Net position - beginning as restated	$	814,322,360

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 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 29, 2016, 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 (eg. 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 29, 2016 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 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 other than easements is capitalized; easements greater than $100,000 are capitalized. 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 fair 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. In FY 16, the commitment was reduced to $155 million, with $55 million paid and the $100 million previously accrued was reversed, resulting in $45 million reported as miscellaneous revenue.

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 in the 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.

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 $1,975,341 during fiscal year 2016.

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. At February 29, 2016, the balance per various financial institutions was $275,598,386. 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 Dallas, 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. The following is a summary of the Authority's cash and investments at February 29, 2016.

	Totals
Cash and Cash Equivalents	$ 210,864,805
Investments	711,348,502
Restricted Cash and Cash Equivalents	31,742,315
Restricted Investments	261,116,444
Total Cash and Investments	**$ 1,215,072,066**

The table below indicates the fair value and maturity value of the Authority's investments as of February 29, 2016, 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	30,000,000	2.47%	30,000,000	0.0279	AA+/Aaa
FHLMC	377,457,826	31.17%	377,400,000	0.5983	AA+/Aaa
FNMA	135,993,790	11.23%	136,000,000	0.2466	AA+/Aaa
FNMA Stepup Note	43,998,680	3.63%	44,000,000	0.0796	AA+/Aaa
Total US Agency Notes	587,450,296		587,400,000		
Commercial Paper					
MUFG-Disc	40,824,586	3.37%	40,929,000	0.0152	A-1/P-1
TMCC-Disc	65,300,430	5.39%	65,492,000	0.0257	A-1+/P-1
UBS-Disc	88,563,515	7.31%	88,690,000	0.0156	A-1/P-1
Total Commercial Paper	194,688,531		195,111,000		
Local Governments					
AZ St School Facilities Board Rev Txbl	5,029,400	0.42%	5,000,000	0.0096	AAA/Aaa
Auburn Wash Utility Sys Rev BAB	2,151,706	0.18%	1,865,000	0.0134	AA
Austin TX Rev 11A	2,150,940	0.18%	2,000,000	0.0203	AAA/Aaa
AZ State School Facilities Board	13,076,440	1.08%	13,000,000	0.0249	AAA/Aaa
AZ Transportation	2,835,560	0.23%	2,800,000	0.0054	AA+/Aa2
Bexar County TX GO	4,721,580	0.39%	4,500,000	0.0563	AAA/Aaa
Burien WA BAB Taxable GO	1,265,804	0.10%	1,160,000	0.0081	A1
Central OK Transport & Pkg Rev	349,927	0.03%	350,000	0.0001	AA/Aa2
Clayton Cty GA & Wtr Auth Rev Txbl	949,687	0.08%	945,000	0.0017	AA+/Aa2
College Station TX Independent School	1,402,253	0.12%	1,280,000	0.0099	AA-/Aa2
College Station TX Utility System	1,118,791	0.09%	1,115,000	0.0080	A+/Aa2
Colorado St Housing & Fin Auth Txbl	5,004,400	0.41%	5,000,000	0.0009	Aa2
Conroe TX Industrial Development Rev	5,921,261	0.49%	5,445,000	0.0440	AA
Cook County IL	3,806,114	0.32%	3,810,000	0.0022	AA/A2
CT St Municipal Elec Energy Coop Power	2,151,505	0.18%	2,150,000	0.0015	Aa3
Dallas TX Ref GO Bond	2,212,530	0.18%	2,000,000	0.0117	AA/Aa2
Denver CO BAB	3,964,977	0.33%	3,540,000	0.0317	AAA/Aaa
Ellis County TX GO	2,779,568	0.23%	2,640,000	0.0174	Aa2
Ewing Township NJ Schools	4,759,000	0.39%	4,760,000	0.0023	AA-
Frisco, TX GO	1,075,334	0.09%	1,035,000	0.0040	AA+/Aa1
Greensboro, NC Build America Bonds	2,268,960	0.19%	2,000,000	0.0167	AAA/Aaa
Harris County TX -Hospital Dist07A	7,688,910	0.63%	7,370,000	0.0423	AA-/A2

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2016

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
Hillsborough County FL Utility	15,636,601	1.29%	14,165,000	0.0881	AA+/Aa1
Houston, TX Independent School District	5,203,500	0.43%	5,000,000	0.0494	AAA/Aaa
Houston TX Utility Systems	2,481,990	0.20%	2,100,000	0.0245	AA
Idaho Bond Bank Authority Rev	4,872,650	0.40%	4,240,000	0.0297	Aa1
Katy, TX ISD BAB	2,259,100	0.19%	2,000,000	0.0129	AAA/Aaa
Louisiana St UTGO Txbl	2,029,120	0.17%	2,000,000	0.0052	AA/Aa3
Mercer Cnty NJ IMPT	1,981,111	0.16%	1,935,000	0.0012	AA+/Aa2
Montgomery County TX GO	3,949,750	0.33%	3,500,000	0.0344	AA+/Aa1
N Orange Cnty CA Cmnty Clg Dist	1,252,488	0.10%	1,250,000	0.0015	AA/Aa1
Nevada St Txbl Ref Cap	1,504,635	0.12%	1,500,000	0.0011	AA/Aa2
New Britain CT Bab Txbl GO Unltd	1,812,690	0.15%	1,800,000	0.0009	AA/Aa2
North TX Municipal Water District BAB	3,072,435	0.25%	2,700,000	0.0183	AAA/Aa2
North TX Tollway	3,781,732	0.31%	3,500,000	0.0343	AA/A1
Northwest TX	2,085,134	0.17%	2,000,000	0.0156	Aaa
NY St Mtge Agy Homeowner Rev Txb	999,970	0.08%	1,000,000	0.0001	Aa1
Ohio St Water/Sewer Dev Auth	2,065,355	0.17%	2,065,000	0.0010	AA+/Aa1
Oregon State Alt Energy Project	2,965,231	0.24%	2,780,000	0.0273	AA+/Aa1
Pearland, TX Ref-Perm Improvement	1,115,133	0.09%	1,075,000	0.0068	AA/Aa2
Port Auth NY NJ	15,146,183	1.25%	15,220,000	0.0218	AA-/Aa3
Red River TX Education Finance	2,699,069	0.22%	2,535,000	0.0264	Aa3
Regional Trans Dist Co SA	4,054,120	0.33%	4,000,000	0.0055	AAA/Aa2
Rhode Island St Housing & MTGE	469,398	0.04%	470,000	0.0002	Aa2
Round Rock, TX ISD BAB	1,121,840	0.09%	1,000,000	0.0059	Aaa
Salt Lake County Utah Sales Tax	1,780,628	0.15%	1,630,000	0.0148	AAA
San Antonio, TX Build America Bnds	1,891,973	0.16%	1,635,000	0.0191	AAA/Aaa
San Antonio TX Water Rev BAB	3,331,200	0.28%	3,000,000	0.0180	AA+/Aa1
San Marcos, TX ISD	1,524,480	0.13%	1,500,000	0.0089	AAA/Aaa
Snohomish County WA BAB	3,067,657	0.25%	2,760,000	0.0199	AA+/Aa3
Sugar Land, TX CTFS	5,919,048	0.49%	5,400,000	0.0561	AAA/Aaa
Texas City, TX ISD	1,406,612	0.12%	1,285,000	0.0114	AA
Texas State Tech University Rev Bnds	1,976,752	0.16%	1,850,000	0.0160	AA
Travis County, TX Certificates of Obligation	1,564,402	0.13%	1,505,000	0.0103	AAA/Aaa
Virginia ST HSG Development Auth	1,427,291	0.12%	1,375,000	0.0159	AA+/Aa1
Washington Cnty Ore Sch	1,004,610	0.08%	1,000,000	0.0011	AA+/Aa1
Wayne Township in Met Sch District	613,020	0.05%	615,000	0.0007	AA+
West Univ Place, TX	997,850	0.08%	1,000,000	0.0016	AAA
Total Local Governments	185,749,405		176,155,000		
Money Market Funds					
MMF-Fidelity Inst. Treasury	107,619,115	8.89%	107,619,115	N/A	AAAm/Aaa
MMF-Invesco	27,470,783	2.27%	27,470,783	N/A	AAAm/Aaa
Logic Investment Pool	34,552,402	2.85%	34,552,402	N/A	AAAm/Aaa
Lone Star Investment Pool	36,033,846	2.98%	36,033,846	N/A	AAAm/Aaa
Texas Class Investment Pool	37,501,921	3.11%	37,501,921	N/A	AAAm/Aaa
Total Money Market Funds	243,178,067		243,178,067		
Total Investments & Cash Equivalents	1,211,066,299	100.00%	$ 1,201,844,067		
Demand and Time Deposits	4,005,767				
Total Cash & Investments	$ 1,215,072,066				

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 29, 2016, 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 29, 2016, 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	$ 530,500,000	3.61
Toll Road Debt Service	Matching/Barbell	6	185,526,000	0.60
Toll Road Renewal/Replacement	Matching/Barbell	6	158,735,000	1.41
Toll Road Bond Reserve	Matching	Maturity of the bonds	83,905,000	12.15
Money Market Mutual Funds	N/A	N/A	243,178,067	N/A
			$ 1,201,844,067	

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

3. OTHER RECEIVABLES

Other receivables as of February 29, 2016 are comprised of credit card receivables and toll violations for EZ tag collections. The other receivables amount of $9,605,401 is reported net of allowance for doubtful accounts of $219,148,044.

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 $69,943,781 in unearned EZ tag revenues.

4. NOTES RECEIVABLE

Notes receivable as of February 29, 2016 are comprised of the following:

	Outstanding March 1, 2015	Issued	Receipts	Outstanding February 29, 2016
Sam Houston Race Park	$ 75,812	$ -	$ (7,581)	$ 68,231
Notes receivable	$ 75,812	$ -	$ (7,581)	$ 68,231

5. PREPAIDS AND OTHER ASSETS

Other assets as of February 29, 2016 are comprised of the following:

Prepaid surety expense	$ 284,302
Prepaid office expenses	1,095,749
Total	$ 1,380,051

6. CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2016 was as follows:

	Balance March 1, 2015	Additions	Deletions	Transfers	Balance February 29, 2016
Land	$ 37,688,268	$ 21,070,171	$ (1,641,460)	$ 771,886	$ 57,888,865
Right-of-way	277,303,656	107,791	(29,105)	(686,248)	276,696,094
Construction in progress	384,905,344	155,696,880	(9,108,807)	(236,204,828)	295,288,589
Total capital assets not depreciated	699,897,268	176,874,842	(10,779,372)	(236,119,190)	629,873,548
License agreement	237,500,000	-	-	-	237,500,000
Land improvements	5,160,138	-	(67,164)	13,772,831	18,865,805
Infrastructure	2,348,904,103	-	(29,327)	225,574,676	2,574,449,452
Other tangible assets	30,123,590	-	(289,995)	(330,440)	29,503,155
Buildings	15,938,353	-	-	(1,593,423)	14,344,930
Equipment	92,867,075	11,705,163	(4,519,791)	(1,304,454)	98,747,993
	2,730,493,259	11,705,163	(4,906,277)	236,119,190	2,973,411,335
Less accumulated depreciation/amortization for:					
License agreement	(22,206,250)	(7,980,000)	-	-	(30,186,250)
Land improvements	(2,796,415)	(1,065,463)	-	-	(3,861,878)
Infrastructure	(1,172,000,672)	(79,001,547)	-	-	(1,251,002,219)
Other tangible assets	(27,755,969)	(2,615,206)	-	-	(30,371,175)
Buildings	(2,937,156)	(131,154)	-	-	(3,068,310)
Equipment	(34,805,753)	(10,507,691)	3,507,369	-	(41,806,075)
	(1,262,502,215)	(101,301,061)	3,507,369	-	(1,360,295,907)
Total capital assets being depreciated, net	1,467,991,044	(89,595,898)	(1,398,908)	236,119,190	1,613,115,428
Total capital assets, net	$ 2,167,888,312	$ 87,278,944	$ (12,178,280)	$ -	$ 2,242,988,976

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 2015-2016 were as follows:

	Outstanding March 1, 2015 (as restated)	Issued/ Increased	Paid/ Decreased	Outstanding February 29, 2016	Due Within One Year
Senior Lien Revenue Bonds	$ 1,876,115,000	$ 161,575,000	$ (239,495,000)	$ 1,798,195,000	$ 67,205,000
Tax Bonds	369,770,000	-	(40,685,000)	329,085,000	26,380,000
Total Bond Principal	2,245,885,000	161,575,000	(280,180,000)	2,127,280,000	93,585,000
Unamortized Premium, Revenue Bonds	55,346,078	31,153,910	(6,796,268)	79,703,720	-
Unamortized Premium, Tax Bonds	13,897,168	-	(1,731,722)	12,165,446	-
Accrued Interest Payable	3,754,059	88,520,305	(88,655,975)	3,618,389	3,618,389
Total Bonds Payable	2,318,882,305	281,249,215	(377,363,965)	2,222,767,555	97,203,389
Compensatory Time Payable	1,024,622	801,572	(666,004)	1,160,190	707,716
OPEB Obligation	25,658,928	3,757,961	-	29,416,889	-
Net Pension Liability	12,341,962	14,131,133	-	26,473,095	
Pollution Remediation Obligation	588,825	1,530,800	-	2,119,625	-
Totals - Toll Road Fund Liabilities	$ 2,358,496,642	$ 301,470,681	$ (378,029,969)	$ 2,281,937,354	$ 97,911,105

A. Outstanding Bonded Debt – February 29, 2016 – Pertinent Information by Issue

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 29, 2016
Senior Lien Revenue Bonds					
Refunding Series 2007A	275,340,000	4.00-5.00	2007	2008-2033	$ 247,660,000
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	263,280,000
Series 2009A	215,455,000	4.00-5.00	2009	2016-2038	215,455,000
Series 2009C	250,000,000	5.00	2009	2016-2049	250,000,000
Refunding Series 2010C	18,995,000	0.88-2.79	2010	2011-2016	4,560,000
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	43,915,000
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	74,210,000
Refunding Series 2015B	161,575,000	5.00	2015	2020-2036	161,575,000
Total Principal Senior Lien Revenue Bonds					1,798,195,000
Unamortized Premiums and Discounts					79,703,720
Total Senior Lien Revenue Bonds					$ 1,877,898,720

Issue	Original Issue Amount	Interest Rate Range %	Term Issue	Maturity Range	Outstanding Balance February 29, 2016
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	290,300,000
Refunding Series 2008A	76,240,000	3.25-5.00	2008	2011-2016	12,780,000
Total Tax Bonds					329,085,000
Unamortized Premiums and Discounts					12,165,446
Total Tax Bonds					$ 341,250,446

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 5.47 as of February 29, 2016.

C. Debt Service Requirements

Total interest expense was $87,107,618 for the fiscal year. The following are the debt service requirements for bonds payable:

Fiscal Year	Principal	Interest	Total
2017	$ 93,585,000	$ 85,472,034	$ 179,057,034
2018	97,210,000	92,700,797	189,910,797
2019	99,180,000	88,783,907	187,963,907
2020	103,370,885	85,024,846	188,395,731
2021	106,865,000	79,354,619	186,219,619
2022-2026	432,975,679	349,457,710	782,433,389
2027-2031	403,673,996	251,737,721	655,411,717
2032-2036	520,382,804	144,903,957	665,286,761
2037-2041	143,287,222	54,148,009	197,435,231
2042-2046	81,458,371	30,276,904	111,735,275
2047-2050	45,291,043	7,420,373	52,711,416
	$ 2,127,280,000	$ 1,269,280,877	$ 3,396,560,877

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 29, 2016, 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 29, 2016, the outstanding principal balance of these defeased bonds was $1,998,799,000.

F. Debt Issuances

On April 1, 2015, the County released $10,300,000 in FNMA notes pledged to Citibank as collateral and replaced it with $15,000,000 in FNMA notes to cover the collateral threshold shortfall on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

On April 1, 2015, the County released $7,000,000 in FNMA notes pledged to Citibank as collateral to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 4, 2015, the County released $2,000,000 in FHLB note pledged to JP Morgan as collateral to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On May 4, 2015, the County released $2,000,000 in FNMA note pledged to Citibank as collateral to cover the collateral threshold shortfall on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

On July 2, 2015, the County released $5,000,000 in FNMA note pledged to Citibank as collateral to cover the collateral threshold shortfall on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

On July 3, 2015, the County released $4,000,000 in FHLB note pledged to JP Morgan Chase as collateral to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 4, 2015, the County released $3,700,000 in FNMA note pledged to Citibank as collateral to cover the collateral threshold shortfall on the $199,915,000 interest rate swap for the Series 2012A&B bonds.

On August 4, 2015, the County pledged $3,700,000 in FNMA note to Citibank to cover the collateral threshold on the $72,785,000 interest rate swap for the Series 2007B bonds.

On August 13, 2015, the County remarketed $109,500,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2012B-1. Interest is payable monthly. The interest rate is the weekly Securities Industry and Financial Markets Association (“SIFMA”) plus a spread. The bonds mature in 2021.

On September 30, 2015, the County pledged $300,000 FHLB 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 October 1, 2015, the County pledged $2,000,000 FNMA note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On October 1, 2015, the County pledged $500,000 FHLB 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 October 15, 2015, the County pledged $500,000 FHLB 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 October 26, 2015, the County released $11,255,000 in FHLB note pledged to JP Morgan Chase as collateral and pledged $11,500,000 in FNMA note to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On December 3, 2015, the County issued $161,575,000 of Toll Road Senior Lien Revenue Refunding Bonds, Series 2015B to refund and defease a portion of the County’s outstanding Toll Road Senior Lien Revenue Refunding Bonds, Series 2006A and Series 2008B, and to pay the cost of issuance. The annual interest rate is 5%. The issuance had a premium of $31,153,910. The interest accrues semiannually and the bonds mature in 2036. The refunding resulted in a savings of $28,155,721 due to a decrease in cash flow and had an economic gain of $19,628,265.

On January 14, 2016, the County pledged $500,000 FNMA 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 January 19, 2016, the County pledged $500,000 FNMA 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 February 1, 2016, the County pledged $2,500,000 FNMA note to Citibank to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B bonds.

On February 1, 2016, the County pledged $500,000 FNMA 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 February 3, 2016, the County pledged $1,000,000 FNMA 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 February 9, 2016, the County pledged $500,000 FNMA 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 February 10, 2016, the County pledged $500,000 FNMA 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 February 11, 2016, the County pledged $500,000 FNMA 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 February 12, 2016, the County pledged $1,000,000 FNMA note to JP Morgan Chase to cover the collateral threshold shortfall on the $72,785,000 interest rate swap for the Series 2007B 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. The commercial paper program consists 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 29, 2016, the Toll Road has no outstanding commercial paper and there was no commercial paper activity during the year ended February 29, 2016.

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. The County has suspended the Series E Notes commercial paper program and, at this time, it remains dormant. However, the County may at any time execute a parity obligation to provide liquidity support for, and resume issuing, Series E Notes.

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 2016. As of February 29, 2016 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:

	Citibank–Toll Road Authority, 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
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 2/29/16:	($17,221,659)	($28,677,209)	($28,677,209)
Collateral Pledged:	$4,300,000 (c)	$12,800,000 (c)	$16,500,000 (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 a $12.8 million FNMA note with a $20,000,000 par, at 1.00% and a $4.3 million FNMA note with a $24,000,000 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 2012A&B and a portion of the Series 2007B.
(d) The County pledged a $16.5 million FNMA note with a $20,000,000 par at 1.55% 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.

Summary of GASB 53 Effectiveness Testing:

	Citibank–Toll Road Authority, 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:

	Citibank–Toll Road Authority, 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 $17,221,659, which is based on a fair market value calculation.	The exposure to the County is $28,677,209, which is based on a fair market value calculation.	The exposure to the County is $28,677,209, which is based on a fair market value calculation.

J. Subsequent Debt Related Activity

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 semiannually 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.

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 3.655%.

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:

	12/31/14	12/31/15
Inactive employees or beneficiaries current receiving benefits	7,061	7,469
Inactive employees entitled but not yet receiving benefits	7,351	7,885
Active employees	15,801	16,342
Total	30,213	31,696

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 29, 2016, the net pension liability was measured as of December 31, 2015, 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 2016 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 2016. The geometric real rate of return is net of inflation, assumed at 1.6%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%
	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, 2014	$ 5,113,052	$ 4,781,059	$ 331,993
Changes for the year:			
Service cost	131,567		131,567
Interest on total pension liability	411,525		411,525
Effect of plan changes	(28,883)		(28,883)
Effect of economic/demographic gains or losses	(7,458)		(7,458)
Effect of assumptions changes or inputs	51,149		51,149
Refund of contributions	(10,223)	(10,223)	-
Benefit payments	(209,877)	(209,877)	-
Administrative expenses		(3,419)	3,419
Member contributions		66,878	(66,878)
Net investment income		(30,646)	30,646
Employer contributions		132,346	(132,346)
Other		363	(363)
Balances as of December 31, 2015	$ 5,450,852	$ 4,726,481	$ 724,371

The net pension liability allocated to the Authority at February 28, 2015 and February 29, 2016 was $12,341,962 and $26,473,095, respectively and employer contributions for the same period were $3,970,428 and $4,836,751, 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	$ 6,167,834	$ 5,450,852	$ 4,852,783
Fiduciary net position	4,726,481	4,726,481	4,726,481
Net pension liability	$ 1,441,353	$ 724,371	$ 126,302

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, 2015, the County recognized pension expense of $152,011,091, the Authority's share was $5,520,641, as of February 29, 2016; 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	$ 6,215	$ -
Changes of assumptions	-	42,624
Net difference between projected and actual earnings	-	336,304
Contributions made subsequent to the measurement date	-	20,403
	$ 6,215	$ 399,331

Toll Road Authority's Allocation:	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 227	$ -
Changes of assumptions	-	1,558
Net difference between projected and actual earnings	-	12,291
Contributions made subsequent to the measurement date	-	749
	$ 227	$ 14,598

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:	
2016	$ 91,357,656
2017	91,357,656
2018	91,357,656
2019	91,357,656
2020	7,281,749

Payable to the Pension Plan. At February 29, 2016, the County reported a payable of $15,318,305 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 28, 2015 and February 29, 2016 is $13,604,321 and $27,678,584, respectively.

The deferred inflows and outflows reported for CS at February 29, 2016 were (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 237	$ -
Changes of assumptions	-	1,629
Net difference between projected and actual earnings	-	12,850
Contributions made subsequent to the measurement date	-	670
	$ 237	$ 15,149

For the measurement period ended December 31, 2015, CS recognized pension expense of $5,808,422. 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 29, 2016, plan members or beneficiaries receiving benefits contributed $10.19 million, or approximately 20.7 percent of total benefits paid during the year. Participating employers contributed $39.01 million. The total contributions for the year ended February 29, 2016 were $49.19 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

THE EMPLOYER:

Annual OPEB Cost. For 2016, the County's annual OPEB cost (expense) was $108,983,297 (including Toll Road of $4,600,168) 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 29, 2016 were as follows:

Annual Required Contribution	$ 118,146,628
Add interest on Net OPEB Obligation	18,486,759
Less adjustment to Annual Required Contribution	(27,650,090)
Annual OPEB Cost	108,983,297
Less Contributions made	(39,006,959)
Change in Net OPEB Obligation	69,976,338
Net OPEB Obligation, beginning of the year	492,980,243
Net OPEB Obligation, end of the year	$ 562,956,581

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2014	$ 103,016,414	$ 33,473,572	32%	$ 430,746,908
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

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 $982,079 and $0 respectively for fiscal year 2015 and the net OPEB obligation for Emergency 911 and Community Supervision is $1,149,819 and $0 respectively at February 29, 2016. Toll Road's portion of the net OPEB obligation above is $29,416,889.

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)	$ 1,311,021,556	$ 45,843,328
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	$ 961,963,878	$ 35,243,520
UAAL as a percentage of covered payroll	136%	130%

The "All Participants" column in the above table includes UAAL of $1,819,165 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.

<u>Actuarial Methods and Assumptions.</u> 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 $465,368,189.

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. GASB 49 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 $2,119,625. 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 29, 2016. 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 $124 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 2016.

13. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement 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 72 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 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 73 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 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 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 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 76 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 77, *Tax Abatement Disclosures* ("GASB 77"), has the objective to provide essential information about tax abatement programs to assist financial statement users to better assess: 1) sources and uses of financial resources; 2) compliance with finance related legal or contractual requirements; and 3) financial position and economic conditions. GASB 77 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 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 78 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 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 79 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 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 80 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 81, *Irrevocable Split-Interest Agreements,* establishes recognition and measurement requirements for irrevocable split-interest agreements. GASB 81 will be implemented by the Authority in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 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 2017 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 29, 2016
(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)
2014	3/1/2013	$ -	$ 1,189,670,446	$ 1,189,670,446	0%	$ 776,162,676	153.3%
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%

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 $1,819,165 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)
2014	3/1/2013	$ -	$ 40,081,280	$ 40,081,280	0%	$ 30,958,782	129.5%
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%

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, 2015
TOTAL PENSION LIABILITY		
Service cost	$	131,567
Interest on total pension liability		411,525
Effect of plan changes		(28,883)
Effect of assumption changes or inputs		51,149
Effect of economic/demographic gains		(7,458)
Benefit payments/refunds of contributions		(220,100)
Net change in total pension liability	$	337,800
Total pension liability, beginning		5,113,052
Total pension liability, ending (a)	$	5,450,852
FIDUCIARY NET POSITION		
Employer contributions	$	132,346
Member contributions		66,878
Investment income net of investment expenses		(30,646)
Benefit payments/refunds of contributions		(220,100)
Administrative expenses		(3,419)
Other		363
Net change in fiduciary net position		(54,578)
Fiduciary net position, beginning		4,781,059
Fiduciary net position, ending (b)	$	4,726,481
Net pension liability, ending = (a) - (b)	$	724,371
Fiduciary net position as a % of total pension liability		86.71%
Pension covered payroll	$	953,501
Net pension liability as a % of covered payroll		75.97%

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's Portion:		
Allocated share		3.655%
Employer contributon	$	4,836,751
Net pension liability, ending	$	26,473,095

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
February 29, 2016

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
2006	$ 66,938,058	$ 66,938,058	$ -	$682,345,135	9.8%
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%

(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%

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	14.2 years (based on contribution rate calculated in 12/31/2015 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.

TOLL ROAD AUTHORITY ENTERPRISE FUND OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
February 29, 2016

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%.

OTHER INFORMATION

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

Component/Segment	2012	2013	2014	2015	2016
Hardy Toll Road-North	17,668,305	18,433,687	19,745,713	22,526,309	23,173,858
Hardy Toll Road-South	20,331,672	21,237,338	22,582,166	25,781,244	27,556,761
Sam Houston Tollway-South	69,947,937	71,992,571	73,769,141	77,815,638	81,778,671
Sam Houston Tollway-Central	57,501,489	58,778,449	60,951,356	64,822,097	66,791,573
Sam Houston Tollway-North	71,226,681	74,244,587	76,250,824	79,759,184	81,246,956
Sam Houston Ship Channel Bridge	14,844,574	16,443,541	17,274,970	18,944,058	19,328,018
Sam Houston Tollway-North/East	13,014,261	15,432,417	17,038,513	19,844,104	22,237,159
Sam Houston Tollway-East	21,976,447	22,701,821	23,071,940	25,109,427	26,722,662
Sam Houston Tollway-South/East	28,301,887	29,131,296	29,153,299	32,873,557	35,249,831
Sam Houston Tollway-South/West	33,005,541	33,477,773	31,343,137	36,796,203	41,311,089
Westpark Tollway	41,234,056	43,575,876	45,957,937	48,915,625	51,855,139
Spur 90A / Fort Bend Parkway Extension	3,182,925	3,456,988	3,728,952	4,013,391	4,338,216
Katy Managed Lanes	16,071,614	19,320,467	22,388,942	28,243,333	31,615,049
Tomball Tollway (a)	-	-	-	-	10,744,952
Total	408,307,389	428,226,811	443,256,890	485,444,170	523,949,934

(a) 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

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 0.50-1.75	$ 0.50-1.75	$ 0.50-1.50
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.50
Tomball Tollway	$ 1.00-1.75	$ 1.00-1.75	$ 0.90-1.50
Westpark	N/A	N/A	$ 0.40-1.50
Hwy 90A	N/A	$ 1.75	$ 1.50
Katy Managed Lanes	N/A	N/A	$ 0.30-3.20
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25-8.75	N/A	$ 1.25-8.75
Sam Houston Ship Channel Bridge	$ 3.50-8.75	N/A	$ 3.50-8.75
Tomball Tollway	N/A	N/A	$ 2.00-8.75
Westpark	N/A	N/A	$ 1.00-8.75
Hwy 90A	N/A	N/A	$ 3.50-8.75
Katy Managed Lanes	N/A	N/A	$ 7.00

Toll Rate Schedule Effective as of September 6, 2014

	Attended Lanes	Exact Change Lanes	EZ Tag Lanes
Two Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 0.50-1.75	$ 0.50-1.75	$ 0.50-1.45
Sam Houston Ship Channel Bridge	$ 2.00	$ 2.00	$ 1.50
Westpark	N/A	N/A	$ 0.40-1.45
Hwy 90A	N/A	$ 1.75	$ 1.45
Katy Managed Lanes	N/A	N/A	$ 0.30-3.20
Three to Six Axle Vehicles			
Sam Houston Tollway and Hardy Toll Road Plazas	$ 1.25-8.75	N/A	$ 1.25-8.75
Sam Houston Ship Channel Bridge	$ 3.50-8.75	N/A	$ 3.50-8.75
Westpark	N/A	N/A	$ 1.00-8.75
Hwy 90A	N/A	N/A	$ 3.50-8.75
Katy Managed Lanes	N/A	N/A	$ 7.00

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

	2012	2013	2014	2015	2016
Operating Revenues					
Toll revenues	$ 519,296,886	$ 560,079,182	$ 609,965,677	$ 688,920,884	$ 759,275,927
Intergovernmental revenues	6,056,459	633,607	215,786	-	2,995,091
Total Operating Revenues	525,353,345	560,712,789	610,181,463	688,920,884	762,271,018
Operating Expenses					
Salaries	49,453,565	49,586,864	51,181,705	52,791,017	57,562,773
Materials and supplies	9,593,144	9,937,433	13,289,189	12,468,384	12,595,180
Services and fees	77,813,626	81,449,680	90,902,682	95,914,299	150,321,298
Utilities	3,350,959	3,413,625	3,400,019	3,115,952	3,540,001
Transportation and travel	2,252,155	2,791,510	3,132,094	3,008,253	3,043,332
Depreciation	74,800,445	88,186,025	90,149,522	94,431,249	101,301,061
Total Operating Expenses	217,263,894	235,365,137	252,055,211	261,729,154	328,363,645
Income from Operations	308,089,451	325,347,652	358,126,252	427,191,730	433,907,373
Nonoperating Revenues					
Investment income	39,551,494	27,068,382	5,051,716	20,471,612	15,965,906
Lease revenues	18,900	24,100	26,700	21,814	18,900
Miscellaneous Income	779,556	766,331	1,061,250	1,922,228	46,073,792
Total Nonoperating Revenues	40,349,950	27,858,813	6,139,666	22,415,654	62,058,598
Nonoperating Expenses					
Interest expense	123,752,002	99,123,166	92,818,557	91,521,555	87,107,618
Bond Issuance Costs	-	-	-	-	1,744,844
Amortization expense	18,084,253	51,260,387	40,487,937	14,966,359	2,880,926
Other nonoperating expenses	9,527,004	298,582	642,823	224,360,951	3,163,575
Total Nonoperating Expenses	151,363,259	150,682,135	133,949,317	330,848,865	94,896,963
Net Income Before Contributions and Transfers Out	197,076,142	202,524,330	230,316,601	118,758,519	401,069,008
Contributions (a)	360,000	-	-	-	-
Transfers In	280,745	86,523	-	157,037	-
Transfers Out (b)	(133,528,463)	(120,035,799)	(121,047,886)	(121,925,426)	(124,031,107)
Change in Net Position	$ 64,188,424	$ 82,575,054	$ 109,268,715	$ (3,009,870)	$ 277,037,901

(a) Represents federal and state contributions recognized for direct connector projects between (i) the Sam Houston Tollway-East and Hardy Toll Road-North segments of the Project and (ii) SH 249 and the Sam Houston Tollway.

(b) 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
2007	$ 392,992,697	$ 41,647,566	$ 92,115,954	4.718	$ 74,627,072	$ 267,897,237	$ 75,413,268	3.552
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

(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	2012	2013	2014	2015	2016
Hardy Toll Road-North	$ 21,505,143	$ 23,105,024	$ 26,087,773	$ 30,484,767	$ 31,084,565
Hardy Toll Road-South (a)	24,348,763	26,149,867	28,888,653	32,934,474	35,037,979
Sam Houston Tollway-South	82,373,602	87,599,580	94,450,310	100,818,123	105,326,514
Sam Houston Tollway-Central	72,006,018	76,180,460	82,725,157	89,664,185	92,621,249
Sam Houston Tollway-North	85,762,105	93,172,078	100,831,887	107,823,763	108,921,231
Sam Houston Ship Channel Bridge	25,887,147	28,611,706	29,956,041	32,543,323	32,232,095
Sam Houston Tollway-East	27,770,951	29,687,922	31,564,555	34,727,037	37,370,417
Sam Houston Tollway-South/East	35,143,735	37,535,888	39,360,926	44,281,024	48,811,909
Sam Houston Tollway-South/West	37,747,467	39,284,945	37,485,698	47,003,729	53,267,187
Sam Houston Tollway-North/East	14,429,942	17,649,388	20,156,797	23,900,271	26,825,495
Westpark Tollway	42,789,663	46,825,290	51,442,972	54,735,176	57,980,110
Spur 90A	3,926,481	4,405,854	4,950,869	5,343,739	5,772,065
Katy Managed Lanes	8,015,765	10,331,568	13,924,091	17,428,859	18,344,245
Tomball Tollway (g)	-	-	-	-	14,479,134
Administration (b)	24,278,883	22,633,355	25,901,055	36,301,290	50,166,867
Fort Bend	1,609,560	1,687,739	1,774,907	2,950,781	3,330,295
MCTRA (h)	-	-	-	-	180,767
IOP-NTTA (c)	5,181,048	6,810,725	8,627,655	10,497,290	13,339,753
IOP-TTA (d)	6,466,179	8,231,949	11,249,883	16,585,363	23,106,134
IOP-CTRMA (e)	54,434	75,103	125,714	221,296	322,873
IOP-Metro (f)	-	100,741	460,734	676,394	755,043
Total	$ 519,296,886	$ 560,079,182	$ 609,965,677	$ 688,920,884	$ 759,275,927

(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) Revenue includes amounts attributable to the interoperability program with NTTA. In August, 2003 Commissioners Court approved an interlocal agreement that allows for tag patrons to use both the HCTRA and NTTA toll systems. The figures shown represent NTTA tag holders' usage on the HCTRA system and may include revenue from any segment of the system.

(d) Implemented in February 2006, an interlocal agreement allows for tag patrons to use both the HCTRA and the TxTag administered by the Texas Transportation Commission. The figures shown represent TxTag tag holders' usage on the HCTRA system and may include revenue from any segment of the system.

(e) Implemented in January 2008, an interlocal agreement allows for tag holders' usage to the HCTRA, NTTA, Central Texas Regional Mobility and TxDOT toll collections systems within the state. The figure shown represents toll collections attributable to the interoperabilty program with CTRMA.

(f) Beginning in FY2013, Metro issued EZ tags on their commuter vehicles. The figures represent tolls collected from Metro for their vehicles incurring tolls on the HCTRA system.

(g) Tomball Tollway opened April 2015.

(h) Interlocal agreement with Montgomery County Toll Road Authority to collect tolls as of July 2015.

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
2017	$ 26,380,000	$ 16,419,012	$ 42,799,012	$ 67,205,000	$ 69,053,022	$ 136,258,022	$ 93,585,000	$ 85,472,034	$ 179,057,034
2018	26,610,000	15,127,731	41,737,731	70,600,000	77,573,066	148,173,066	97,210,000	92,700,797	189,910,797
2019	27,445,000	13,742,050	41,187,050	71,735,000	75,041,857	146,776,857	99,180,000	88,783,907	187,963,907
2020	28,345,000	12,277,562	40,622,562	75,025,885	72,747,284	147,773,169	103,370,885	85,024,846	188,395,731
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	83,491,329	66,752,853	150,244,182	102,936,329	76,238,466	179,174,795
2023	20,240,000	8,449,022	28,689,022	61,067,172	66,046,366	127,113,538	81,307,172	74,495,388	155,802,560
2024	20,700,000	7,384,903	28,084,903	63,145,844	62,901,227	126,047,071	83,845,844	70,286,130	154,131,974
2025	21,165,000	6,297,059	27,462,059	65,588,256	60,050,958	125,639,214	86,753,256	66,348,017	153,101,273
2026	12,070,000	5,430,338	17,500,338	66,063,078	56,659,371	122,722,449	78,133,078	62,089,709	140,222,787
2027	12,090,000	4,796,138	16,886,138	63,747,281	52,756,084	116,503,365	75,837,281	57,552,222	133,389,503
2028	12,115,000	4,160,756	16,275,756	61,515,378	48,940,259	110,455,637	73,630,378	53,101,015	126,731,393
2029	12,135,000	3,524,194	15,659,194	65,831,308	47,018,863	112,850,171	77,966,308	50,543,057	128,509,365
2030	12,160,000	2,886,450	15,046,450	69,565,091	43,844,257	113,409,348	81,725,091	46,730,707	128,455,798
2031	12,185,000	2,247,394	14,432,394	82,329,938	41,563,326	123,893,264	94,514,938	43,810,720	138,325,658
2032	12,210,000	1,607,025	13,817,025	86,774,163	37,817,914	124,592,077	98,984,163	39,424,939	138,409,102
2033	12,240,000	965,213	13,205,213	90,335,446	33,555,900	123,891,346	102,575,446	34,521,113	137,096,559
2034	12,265,000	321,956	12,586,956	95,495,933	29,282,198	124,778,131	107,760,933	29,604,154	137,365,087
2035	-	-	-	103,090,666	22,944,874	126,035,540	103,090,666	22,944,874	126,035,540
2036	-	-	-	107,971,596	18,408,877	126,380,473	107,971,596	18,408,877	126,380,473
2037	-	-	-	42,298,920	16,098,459	58,397,379	42,298,920	16,098,459	58,397,379
2038	-	-	-	30,654,935	11,370,675	42,025,610	30,654,935	11,370,675	42,025,610
2039	-	-	-	32,232,479	9,925,653	42,158,132	32,232,479	9,925,653	42,158,132
2040	-	-	-	18,761,683	8,783,002	27,544,685	18,761,683	8,783,002	27,544,685
2041	-	-	-	19,339,205	7,970,220	27,309,425	19,339,205	7,970,220	27,309,425
2042	-	-	-	12,450,046	7,322,932	19,772,978	12,450,046	7,322,932	19,772,978
2043	-	-	-	16,188,652	6,761,471	22,950,123	16,188,652	6,761,471	22,950,123
2044	-	-	-	16,855,024	6,097,088	22,952,112	16,855,024	6,097,088	22,952,112
2045	-	-	-	17,560,267	5,407,364	22,967,631	17,560,267	5,407,364	22,967,631
2046	-	-	-	18,404,382	4,688,049	23,092,431	18,404,382	4,688,049	23,092,431
2047	-	-	-	19,087,369	3,939,893	23,027,262	19,087,369	3,939,893	23,027,262
2048	-	-	-	19,903,674	3,162,980	23,066,654	19,903,674	3,162,980	23,066,654
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	$329,085,000	$125,887,191	$ 454,972,191	$ 1,798,195,000	$ 1,143,393,686	$2,941,588,686	$2,127,280,000	$ 1,269,280,877	$3,396,560,877

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

The Series 1997, Series 2007C, and Series 2008A Tax Bonds are collectively referred to as the "Toll Road Tax Bonds".

Issue	Date Issued		Outstanding Principal Amount at February 29, 2016
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		290,300,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 2008A	December 2008		12,780,000
TOTAL		$	329,085,000

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

Issue		Outstanding Principal Amount at February 29, 2016
Harris County, Texas, Toll Road Senior Lien Revenue		
Refunding Bonds Series 2007A	$	247,660,000
Refunding Bonds Series 2007B		145,570,000
Harris County, Texas, Toll Road Senior Lien Revenue		
Refunding Bonds Series 2008B		263,280,000
Harris County, Texas, Toll Road Senior Lien Revenue		
Refunding Bonds Series 2009A		215,455,000
Refunding Bonds Series 2009C		250,000,000
Harris County, Texas, Toll Road Senior Lien Revenue		
Refunding Bonds Series 2010C		4,560,000
Refunding Bonds Series 2010D		22,775,000
Harris County, Texas, Toll Road Senior Lien Revenue		
Refunding Bonds Series 2012A		43,915,000
Refunding Bonds Series 2012B		139,500,000
Refunding Bonds Series 2012C		229,695,000
Refunding Bonds Series 2012D		74,210,000
Harris County, Texas, Toll Road Senior Lien Revenue		
Refunding Bonds Series 2015B		161,575,000
TOTAL	$	1,798,195,000

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 09, 2016 the Commissioners Court adopted the budget for the County for the Fiscal Year 2016-2017. The Fiscal Year 2017 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2016-2017 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2016	$ 765,849,307
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,405,710,837
Charges for Services	233,494,880
Fines and Forfeitures	20,573,477
Intergovernmental Revenues	45,010,682
Interest	1,187,645
Other	49,202,756
Total Cash and Estimated Revenues	$ 2,521,029,584
Appropriations:	
Current Operating Expenses	$ 2,479,754,914
Capital Outlay:	
Roads	2,632,531
Parks	35,637,139
Office/Courts	3,005,000
Total Appropriations	$ 2,521,029,584

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

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 29, 2016 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	$	112,347,502
Permanent Improvements		60,109,022
Flood Control		204,242,169
Total	$	376,698,693

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
2007	$ 250,997,888	$ 40,381,452	$ 66,142,090	$ 225,237,250	(b)	0.34221	0.06018	0.40239
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

(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).
(b) HCAD tax supplement as of January 29 of the tax year.

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
2007	$ 887,598	$ 903,512	$ 793,835	89.4%	$ 106,988	$ 900,823	99.7%
2008	929,929	991,150	910,828	97.9	77,679	988,507	99.7
2009	1,089,141	1,085,421	981,807	90.1	100,577	1,082,384	99.7
2010	1,114,429	1,101,460	1,036,477	93.0	61,432	1,097,909	99.7
2011	1,058,623	1,050,226	987,684	93.3	59,285	1,046,969	99.7
2012	1,081,861	1,073,154	1,022,187	94.5	47,392	1,069,579	99.7
2013	1,160,905	1,150,379	1,100,588	94.8	45,536	1,146,124	99.6
2014	1,308,910	1,293,515	1,247,389	95.3	40,189	1,287,578	99.5
2015	1,459,066	1,443,477	1,390,628	95.3	41,289	1,431,917	99.2
2016	1,637,031	1,637,031	1,554,734	95.0	-	1,554,734	95.0

* 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)

	2016			2007		
Taxpayers	2015 Taxable Valuations (a)	Rank	Percentage of Total 2015 Taxable Valuation (b)	2006 Taxable Valuations (a)	Rank	Percentage of Total 2006 Taxable Valuation (c)
Exxon Mobil Corporation	$ 3,406,677	1	0.87%	$ 4,602,425	1	2.04%
Centerpoint Energy, Inc.	2,706,997	2	0.69	2,631,941	3	1.17
Chevron Chemical Company	2,366,494	3	0.60	1,160,997	5	0.52
Shell Oil Company	2,336,677	4	0.60	2,587,325	2	1.15
Equistar Chemicals Limited Partnership	1,614,521	5	0.41	1,189,311	6	0.53
National Oilwell Inc.	1,454,824	6	0.37	-		0.00
Hewlett Packard	1,167,324	7	0.30	736,262	10	0.33
Palmetto Transoceanic LLC	1,130,070	8	0.29	-		0.00
BP Amoco	1,062,238	9	0.27	-		0.00
Cousins Greenway	1,026,262	10	0.26	-		0.00
Baker Hughes	1,010,241	11	0.26	-		0.00
Crescent Real Estate	939,427	12	0.24	957,102	8	0.42
United Airlines Inc.	914,777	13	0.23	-		0.00
Walmart	904,217	14	0.23	634,476	11	0.28
Halliburton Company	800,424	15	0.20	-		0.00
Lyondell	-		0.00	1,877,381	4	0.83
Southwestern Bell Telephone (SBC)	-		0.00	1,023,759	7	0.45
Hines Interests Ltd Partnership	-		0.00	815,157	9	0.36
Rohm & Haas Co.	-		0.00	558,171	12	0.25
Anheuser Busch Inc.	-		0.00	470,566	14	0.21
Weingarten Realty	-		0.00	402,078	15	0.18
Houston Pipeline Co LP	-		0.00	537,619	13	0.24
Total	$ 22,841,170		5.82%	$ 20,184,570		8.96%

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 29, 2016.

(c) Based on the County's total taxable value as of February 28, 2007.

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	$ 1,082,762,360
Unlimited Tax Debt	814,950,970
Flood Control	532,590,000
Toll Road Tax Bonds	329,085,000
Total	$ 2,759,388,330
Less: Toll Road Tax Bonds	(329,085,000)
Total (Approximately 0.49% of 2015 Assessed Value)	$ 2,430,303,330

(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 2006-07 through 2015-16.

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
2007	$ 2,856,915	$ 225,237,250	1.27	3,886,207	$ 735
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

(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
2017	$ 71,807	$ 57,409	$ 129,216	$ 29,299	$ 38,182	$ 67,481	$ 26,380	$ 16,419	$ 42,799	$ 25,385	$ 28,385	$ 53,770	$ 152,871	$ 140,395	$ 293,266
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	32,227	84,622	29,285	10,765	40,050	29,495	24,841	54,336	195,005	104,560	299,565
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	$ 1,082,762	$ 513,079	$ 1,595,841	$ 814,951	$ 367,372	$ 1,182,323	$ 329,085	$ 125,887	$ 454,972	$ 615,665	$ 323,769	$ 939,434	$ 2,842,463	$ 1,330,107	$ 4,172,570

(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 29, 2016, 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	87,000	
Forensic Lab	10,000	
Family Law Center	70,000	
Joint Processing Center	64,295	
Animal Shelter	24,000	
Total Limited Tax Bonds		$ 288,295
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		1,128,223
Total Authorized but Unissued Bonds		$1,128,223

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Harris County General Fund:										
Reserved	$ 175,301	$ 175,956	$ 202,321	$ 283,664	$ 341,139	$ -	$ -	$ -	$ -	$ -
Unreserved	128,418	192,616	166,726	59,063	(22,290)	-	-	-	-	-
Nonspendable	-	-	-	-	-	4,840	4,463	5,134	6,805	7,958
Restricted	-	-	-	-	-	280,566	347,309	429,372	462,289	530,903
Committed	-	-	-	-	-	2,120	2,847	2,508	-	-
Assigned	-	-	-	-	-	33,491	24,013	14,622	16,833	27,856
Unassigned	-	-	-	-	-	91,927	189,799	355,857	549,705	782,372
Total general fund	$ 303,719	$ 368,572	$ 369,047	$ 342,727	$ 318,849	$ 412,944	$ 568,431	$ 807,493	$ 1,035,632	$ 1,349,089

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									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Administration of Justice	8,168	8,740	9,425	9,308	8,779	8,462	8,723	9,290	9,625	9,768
Parks	706	732	787	797	670	625	675	700	805	867
County Administration	2,871	3,024	3,339	3,161	3,032	2,901	2,957	3,021	3,166	3,280
Health and Human Services	1,604	1,706	1,796	1,718	1,467	1,385	1,326	1,334	1,369	1,432
Flood Control	333	325	354	374	335	308	290	300	291	287
Tax Administration	426	435	428	415	378	341	340	349	348	368
Roads and Bridges	779	807	856	914	597	561	536	550	448	451

Note: (1) As of February 29, 2016, it is estimated that approximately 3,087 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.