Central Texas Regional Mobility Authority

Basic Financial Statements
June 30, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Central Texas Regional Mobility Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Texas Regional Mobility Authority (the Authority), which comprise the Statement of Net Position as of June 30, 2017; the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows for the year then ended; and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed on the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters
The financial statements of the Authority as of and for the year ended June 30, 2016, were audited by other auditors, whose report dated September 12, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information—Pension Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits 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 basic financial statements as a whole. The Indenture Cash Flow and Debt Service Coverage on page 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Austin, Texas
September 26, 2017

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

The Central Texas Regional Mobility Authority (the Authority) presents the following discussion and analysis of the Authority's financial activities during the fiscal years that ended June 30, 2017 and 2016. This section is intended to be read it in conjunction with the Authority's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements and the required supplementary information.

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

Basic financial statements: The financial statements are designed to provide readers with an overview of the Authority's finances in a manner similar to private-sector business.

The S*tatement of Net Position* presents information on all of the Authority's assets and deferred outflows, as well as the Authority's liabilities and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on page 9 of this report.

The S*tatement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Authority's current year operations on its financial position. The Statement of Revenues, Expenses and Changes in Net Position can be found on page 10 of this report.

The *Statement of Cash Flows* summarizes all of the Authority's cash flows into three categories as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities and 3) cash flows from investing activities. The Statement of Cash Flows can be found on page 11 of this report. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The Authority's ability to generate future cash flows
- The Authority's ability to pay its debt as the debt matures
- Reasons for the difference between the Authority's operating cash flows and operating income
- The impact of the Authority's financial position of cash and noncash transactions from investing, capital, and financing activities

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Financial Statements can be found starting on page 12 of this report.

FINANCIAL HIGHLIGHTS

- Total toll revenue increased to $75.6 million in 2017 from $64.3 million in 2016 or an 18 percent increase. Total toll revenue increased from $53.6 million to $64.3 million from 2015 to 2016 or a 20 percent increase.

- Total operating expenses were approximately $45.0 million, $41.0 million and $37.9 million in 2017, 2016 and 2015, respectively.

- Total construction in progress was approximately $555.8 million, $338.6 million and $139.1 million as of June 30, 2017, 2016 and 2015, respectively. Construction in progress increased by approximately $217.2 million from 2016 to 2017 in part due to progress made on the MoPac Improvement Project of approximately $25.9 million and start of the SH 45 Southwest of approximately $22.2 million and continuing the 183 South Project (collectively, the Projects) of approximately $162.6 million.

- Construction in progress increased by approximately $199.4 million from 2015 to 2016 in part due to the progress made on the MoPac Improvement Project of approximately $46.0 million and start of the 183 South Project of approximately $145.0 million.

- Total restricted cash and cash equivalents decreased by $124.4 million from 2016 to 2017. The overall decrease in restricted cash and investments was largely due to construction of the Projects.

- Total restricted cash and cash equivalent increased by $66.7 million from 2015 to 2016. The overall increase in restricted cash and cash equivalents was largely due to the bond proceeds from the issuance of debt in 2016.

FINANCIAL ANALYSIS OF THE AUTHORITY

Net position: As noted above, net position may serve over time as a useful indicator of the Authority's financial position. The net position reflects an un-expendable and expendable portion of net position. The Authority's assets and deferred outflows exceeded liabilities and deferred inflows by approximately $635.1 million, $466.8 million and $319.0 million as of June 30, 2017, 2016 and 2015, respectively (see Table A-1). As of June 30, 2017 and 2016, the largest portion of the Authority's net position is reflected its investment in capital assets (the Tolling System infrastructure and related assets) net of any outstanding debt used to acquire those assets. The second largest portion of net position, as of June 30, 2017 and 2016, is expendable and reflects proceeds restricted for debt service or construction expenditures. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
Condensed Schedule of Net Position
(In Thousands of Dollars)

	2017	2016	2015
Current assets	$ 204,850	$ 143,984	$ 74,548
Restricted assets	309,229	492,744	252,497
Pension asset	355	202	474
Capital assets	1,491,482	1,084,996	892,639
Total assets	2,005,916	1,721,926	1,220,158
Deferred outflows of resources	109,742	91,656	18,080
Total assets and deferred outflows of resources	$ 2,115,658	$ 1,813,582	$ 1,238,238
Total liabilities	$ 1,480,216	$ 1,346,650	$ 919,161
Deferred inflows of resources	286	172	-
Total liabilities and deferred inflows of resources	$ 1,480,502	$ 1,346,822	$ 919,161
Net position:			
Invested in capital assets	$ 436,282	$ 200,628	$ 122,740
Restricted for other purposes	141,068	227,787	164,206
Unrestricted	57,806	38,345	32,131
Total net position	635,156	466,760	319,077
Total liabilities, deferred inflows of resources and net position	$ 2,115,658	$ 1,813,582	$ 1,238,238

For fiscal year 2017, current and restricted assets decreased as a result of the Authority's ongoing construction on the Projects. The Authority receives grant funds, and bond proceeds to fund the Projects.

For fiscal year 2016, current and restricted assets increased as a result of the Authority's issuance of new debt to fund ongoing construction on the Projects.

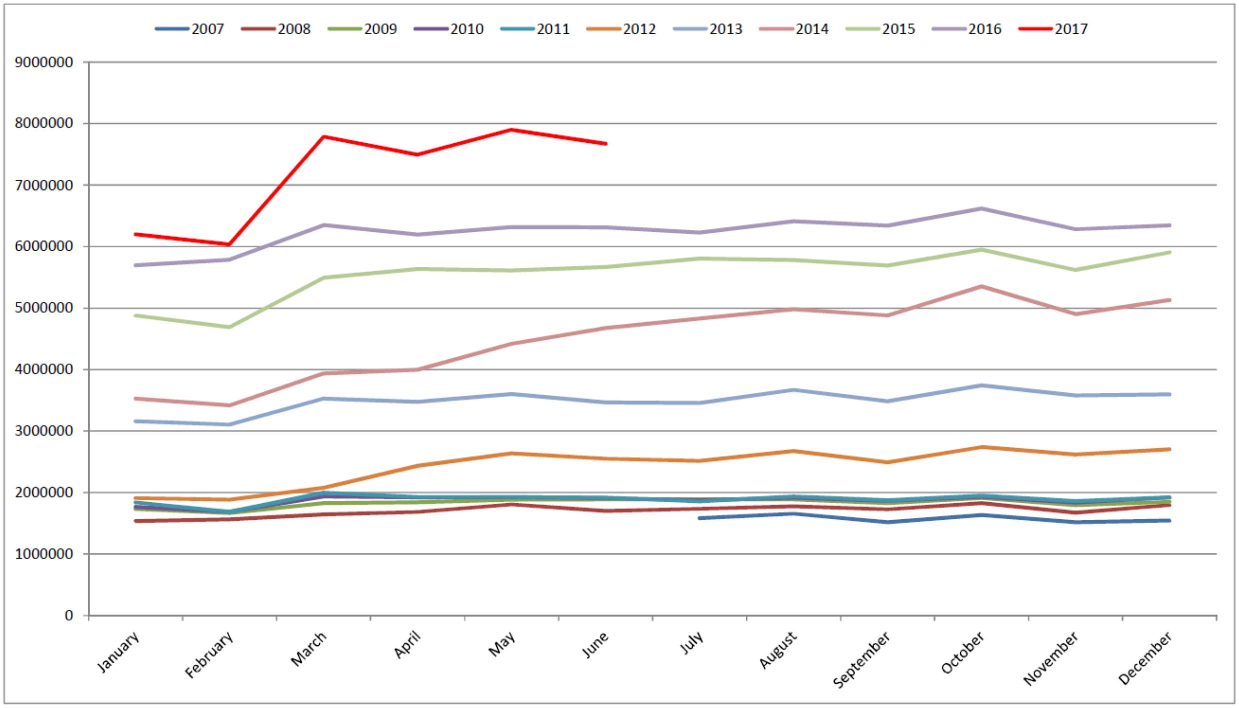
For fiscal year 2017 and 2016, excluding accumulated depreciation capital assets increased as a result of the ongoing construction and current period Project additions of approximately $222.3 million and $214.0 million, respectively.

For fiscal year 2016 and 2015, excluding accumulated depreciation capital asset increased as a result of the ongoing construction and current period additions of approximately $214.0 million and $81.1 million, respectively, on the Projects.

Changes in net position: The operating revenues continue to increase as the level of system transactions increases within the completed projects of the Authority's Tolling System (Highway 290E, Highway 183A Toll and the addition of Highway 71E in March of 2017). The average daily system transactions increased in 2017 from approximately 198 thousand per day in 2016 to approximately 222.7 thousand per day or from an annual total of approximately 62 million to 80 million from 2016 to 2017.

The average daily system transactions increased in 2016 from approximately 172 thousand per day to approximately 198 thousand per day in 2015 or from an annual total of approximately 45 million to 62 million from 2015 to 2016.

Total Monthly Tolling System Transactions



As noted at Table A-2 on the following page, operating expenses increased by $4.0 million from 2016 to 2017 and $3.1 million from 2015 to 2016. The increases are related to the increase in the number of tolling transactions which result in additional expenses for road maintenance, image and tag collection fees.

The nonoperating expenses (net) decreased from $50.8 million in fiscal year 2016 to $32.5 million in fiscal year 2017. The decrease is attributed to financing expenses in 2016 from issuance of new revenue bonds exceeding the 2017 financing expenses. Additionally, the Series 2016 Refunding Bonds allowed for lower cost of borrowing and the Authority also capitalized interest of $13.9 million in 2017 compared to $9.1 million in 2016.

The nonoperating expenses (net) increased from $42.1 million in fiscal year 2015 to $50.8 million in fiscal year 2016. The increase is attributable to interest expense and financing expenses due to the issuance of new revenue bonds.

The change in net position before capital grants and contributions is a loss of $0.2 million compared to a loss of $26.0 million and $24.0 million in 2017, 2016 and 2015, respectively. See Table A-2.

Table A-2
Condensed Schedule of Revenue, Expenses and Changes in Net Position
(In Thousands of Dollars)

	2017	2016	2015
Revenues:			
Toll revenue	$ 75,651	$ 64,312	$ 53,592
Grant proceeds and other operating	1,569	1,486	2,222
Total revenues	77,220	65,798	55,814
Expenses:			
Administration	20,501	16,721	13,935
Professional services	2,371	2,578	2,754
Depreciation and amortization	22,099	21,692	21,233
Total expenses	44,971	40,991	37,922
Operating income	32,249	24,807	17,892
Total net nonoperating revenue (expenses)	(32,461)	(50,837)	(42,127)
Change in net position—before capital grants and contributions	(212)	(26,030)	(24,235)
Capital grants and contributions	168,608	173,714	55,357
Change in net position	168,396	147,684	31,122
Total net position at beginning of year	466,760	319,076	287,954
Total net position at end of year	$ 635,156	$ 466,760	$ 319,076

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: As of June 30, 2017, 2016 and 2015, the Authority had invested approximately $555.8 million; $338.6 million and $139.1 million, respectively, in construction in progress. Of the $555.8 million and $338.6 million of the construction in progress, the non-tolling system projects (projects other than Highway 290E, Highway 183A, Highway 71E and 183 South Toll) made up $216.8 million and $167.0 million of the total in 2017 and 2016, respectively. See Table A-3 and Note 3.

Table A-3
Capital Assets
(Net of Depreciation, in Thousands of Dollars)

	2017	2016	2015
Property and equipment	$ 12,474	$ 11,830	$ 11,767
Toll road	1,009,918	837,774	823,229
Accumulated depreciation	(125,242)	(103,162)	(81,489)
Construction in progress	594,333	338,554	139,132
Net capital assets	$ 1,491,483	$ 1,084,996	$ 892,639

Long-term debt: As of June 30, 2017, 2016 and 2015, the Authority had total debt outstanding of approximately $1,364.5 million, $1,244.5 million and $794.8 million, respectively. See Table A-4.

On July 25, 2017, Moody's Investors Service (Moody's) affirmed the Baa2 rating for senior lien bonds and Baa3 rating for the subordinate lien revenue refunding bonds of the Authority. Moody's revised the outlook for the Authority to positive.

Table A-4
Total Debt
(In Thousands of Dollars)

	2017	2016	2015
Total debt:			
Total bonds and other obligations	$ 1,360,946	$ 1,239,227	$ 787,833
Total notes	3,570	5,300	7,030
Total debt outstanding	$ 1,364,516	$ 1,244,527	$ 794,863
Total debt service payments:			
Principal payments	$ 6,425	$ 6,905	$ 4,794
Interest payments	43,872	38,004	39,848

The total debt obligations include the current portion of the obligations of $6,950,000, $6,425,000 and $6,905,258 for 2017, 2016 and 2015, respectively.

Additional information on the Authority's long-term debt can be found in Note 4 of this report.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Central Texas Regional Mobility Authority, 3300 North IH 35, Suite 300, Austin, 78705.

Central Texas Regional Mobility Authority

Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Current assets:		
Unrestricted:		
Cash and cash equivalents (Note 2)	$ 903,311	$ 714,088
Investments (Note 2)	67,774,818	682,683
Due from other governments (Note 9)	17,083,930	86,763,659
Accrued interest receivable	325,529	490,450
Prepaid expenses and other assets	37,999	107,601
Total unrestricted	86,125,587	88,758,481
Restricted:		
Cash and cash equivalents (Note 2)	118,725,139	55,225,460
Total restricted	118,725,139	55,225,460
Total current assets	204,850,726	143,983,941
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	81,632,324	269,711,004
Investments (Note 2)	227,597,046	223,032,526
Total restricted assets	309,229,370	492,743,530
Pension asset (Note 8)	355,139	202,023
Total capital assets, net (Note 3)	1,491,481,738	1,084,996,036
Total noncurrent assets	2,005,916,973	1,721,925,530
Total deferred outflows of resources (Notes 5 and 8)	109,741,671	91,656,069
Total assets and deferred outflows of resources	$ 2,115,658,644	$ 1,813,581,599
Current liabilities:		
Payable from current assets:		
Accounts payable	$ 1,838,473	$ 1,330,859
Due to other agencies	1,672,933	775,589
Accrued expenses	413,542	316,233
Total payable from current assets	3,924,948	2,422,681
Payable from restricted current assets:		
Construction accounts payable	73,481,537	29,254,281
Accrued interest payable	25,975,163	19,546,179
Bonds, notes payable and other obligations, current portion (Note 4)	6,950,000	6,425,000
Unearned revenue	12,318,439	-
Total payable from restricted current assets	118,725,139	55,225,460
Total current liabilities	122,650,087	57,648,141
Noncurrent liabilities:		
Unearned revenue	-	50,900,048
Notes payable, net of current portion (Note 4)	1,805,000	3,570,000
Revenue bonds payable and other obligations, net of current portion (note 4)	1,355,761,123	1,234,531,635
Total noncurrent liabilities	1,357,566,123	1,289,001,683
Total liabilities	1,480,216,210	1,346,649,824
Total deferred inflows of resources (Notes 5 and 8)	286,449	172,017
Total liabilities and deferred inflows of resources	1,480,502,659	1,346,821,841
Net position:		
Investment in capital assets	436,282,193	200,627,568
Restricted for Debt Service	141,067,986	227,786,780
Unrestricted	57,805,806	38,345,410
Total net position	635,155,985	466,759,758
Total liabilities and net position	$ 2,115,658,644	$ 1,813,581,599

See notes to financial statements.

Central Texas Regional Mobility Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Tolls	$ 75,651,364	$ 64,312,051
Grant proceeds and other operating	1,568,891	1,486,310
Total operating revenues	77,220,255	65,798,361
Operating expenses:		
Salaries and wages	4,337,946	3,681,148
Toll contractual services	8,356,483	7,424,664
Professional services	2,370,921	2,578,740
General and administrative	7,806,640	5,615,089
Depreciation and amortization	22,099,071	21,691,703
Total operating expenses	44,971,061	40,991,344
Operating income	32,249,194	24,807,017
Nonoperating revenues (expenses):		
Interest income	847,178	486,637
Financing expense	(1,358,618)	(9,384,791)
Interest expense, net of interest capitalized	(31,949,097)	(41,939,306)
Total nonoperating revenue (expenses)	(32,460,537)	(50,837,460)
Change in net position before capital grants and contributions	(211,343)	(26,030,443)
Capital grants and contributions	168,607,570	173,713,752
Change in net position	168,396,227	147,683,309
Total net position at beginning of year	466,759,758	319,076,449
Total net position at end of year	$ 635,155,985	$ 466,759,758

See notes to financial statements.

Central Texas Regional Mobility Authority

Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from toll fees	$ 73,772,971	$ 64,876,236
Receipts from grants and other income	1,568,891	1,486,310
Payments to vendors	(17,059,484)	(14,564,319)
Payments to employees	(4,258,810)	(3,819,516)
Net cash flows provided by operating activities	54,023,568	47,978,711
Cash flows from capital and related financing activities:		
Proceeds from notes payable and other obligations	49,636,149	11,454,088
Proceeds from (payments on) revenue bonds issuance	(3,855,854)	355,765,281
Payments on interest	(45,132,276)	(35,333,229)
Payments on bonds	(6,425,000)	(6,905,258)
Purchase of capital assets	(2,260,579)	(62,727)
Payments for construction in progress	(206,701,520)	(199,069,851)
Proceeds from capital grants	100,753,583	80,410,037
Proceeds from contributed capital	4,500,000	-
Net cash flows provided by (used in) capital and related financing activities	(109,485,497)	206,258,341
Cash flows from investing activities:		
Interest income, gross of capitalized interest	3,170,825	59,890
Purchase of investments	(285,516,658)	(251,082,404)
Proceeds from sale or maturity of investments	213,417,984	63,379,136
Net cash flows used in investing activities	(68,927,849)	(187,643,378)
Net increase (decrease) in cash and cash equivalents	(124,389,778)	66,593,674
Cash and cash equivalents at beginning of year	325,650,552	259,056,878
Cash and cash equivalents at end of year	$ 201,260,774	$ 325,650,552
Reconciliation of change in net assets to net cash provided by operating activities:		
Operating income	$ 32,249,194	$ 24,807,017
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	22,099,071	21,691,703
Changes in assets and liabilities:		
(Increase) decrease in due from other agencies	(1,926,383)	564,185
(Increase) decrease in prepaid expenses and other assets	69,602	(84,471)
Increase in accounts payable	555,604	923,985
Increase in accrued expenses	946,663	160,700
(Increase) decrease in pension asset	(153,116)	272,214
Increase in deferred outflow of resources	68,501	(528,639)
Increase in deferred inflow of resources	114,432	172,017
Total adjustments	21,774,374	23,171,694
Net cash flows provided by operating activities	$ 54,023,568	$ 47,978,711
Reconciliation of cash and cash equivalents:		
Unrestricted cash and cash equivalents	$ 903,311	$ 714,088
Restricted cash and cash equivalents:		
Current	118,725,139	55,225,460
Noncurrent	81,632,324	269,711,004
Total	$ 201,260,774	$ 325,650,552

See notes to financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

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

A. Reporting entity: The Authority was authorized by the State of Texas in 2002. The Authority is authorized to construct, maintain, repair and operate turnpike projects at locations authorized by the Legislature of the State of Texas and approved by the State Department of Transportation. The Authority receives its revenues from tolls, fees and reimbursement grants from the operation of turnpike projects and reimbursement grants for the construction of toll projects. The Authority may issue revenue bonds for the purpose of paying the costs of turnpike projects.

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

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

B. Basis of accounting: The operations of the Authority are accounted for within a single proprietary (enterprise) fund through which all financial activities are recorded. The measurement focus for an enterprise fund is the flow of economic resources. An enterprise fund follows the accrual basis of accounting. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the operations are included on the Statements of Net Position. Net position (i.e., total assets and deferred outflows net of total liabilities and deferred inflows) is segregated into amounts of net investment in capital assets, amounts restricted for capital activity and debt service pursuant to the bond indenture, and amounts which are unrestricted. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which the liability is incurred regardless of the timing of related cash flows, and depreciation of capital assets is recognized. Revenue from grants and contracts specifying allowable costs to be incurred are recognized as revenue when all eligibility requirements imposed by the provider are met and qualifying expenditures have been incurred.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

C. Cash, cash equivalents and investments: Cash and cash equivalents include cash on hand, demand deposits, investments in local government investment pools and short-term investments with original maturities of three months or less from the date of acquisition. Bank deposits are fully collateralized or covered by federal depository insurance.

Fair value is the price that would be received to sell an asset in an ordinary transaction between market participants. Investments in debt securities are reported at fair value based on pricing service modeling for fixed income securities. Investment in local government investment pools are reported at amortized cost. The net change in fair value of investments is recorded on the Statement of Revenues, Expenses and Changes in Net Position and includes the unrealized and realized gains and losses on investments.

The Authority's investment practices are governed by State statutes, the Authority's own investment policy and bond indentures and the Texas Public Funds Investment Act.

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

E. Capital assets: Capital assets, which include property and equipment, right of way and toll roads, are reported at cost. Capital assets acquired through contributions, such as those from developers or other governments, are recorded at estimated acquisition value at the date of donation. Capital assets are defined as assets with initial, individual costs exceeding $500 to $20,000, depending on the asset category. Depreciation is computed on the straight-line method over the following estimated useful lives:

	Estimated Useful Live
Roads and bridges	40 years
Improvements	5-20 years
Buildings	20-30 years
Equipment	3-10 years

A full month's depreciation is taken in the month an asset is placed in service. When property and equipment are disposed, the cost and accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations.

The Authority capitalizes interest cost of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

The Authority tests for impairment of capital assets when significant unexpected decline in service utility occurs. There were no asset impairments in fiscal year 2017 or 2016.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

F. Grants and contributions: Revenues from grants and contributions are cash and noncash which include the following: (1) Capital grants and contributions which are restricted revenues whose resources may only be spent to purchase, build or use capital assets for specified programs or (2) Operating grants and contributions which are restricted in the way they may be spent for operations of a particular program.

The Authority has entered into several construction contracts with the Texas Department of Transportation (TxDOT) for the construction of roadways using Highway Planning and Construction federal funding and certain state funding for transportation improvements. During the years ended June 30, 2017 and 2016, the Authority recognized capital grants and contributions of approximately $168.6 million and $173.7 million, respectively, from TxDOT. Revenues from federal and state cost reimbursement grants and contracts are recognized as earned when all eligibility requirements, including incurring allowable expenditures, have been met. As of June 30, 2017 and 2016, there was approximately $12.3 million and $50.9 million, respectively, of unearned revenue from TxDOT construction contracts which is recorded as unearned revenue in the Statement of Net Position until qualifying allowable expenditures are incurred.

G. Restricted assets: Certain assets of the Authority are classified as restricted assets in the Statement of Net Position because their use is limited by applicable bond covenants or TxDOT construction contracts. When the proceeds are restricted for the acquisition or construction of noncurrent assets or are restricted for liquidation of long-term debt, they are further classified as noncurrent restricted assets. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. In the financial statements, restricted net position is reported for amounts that are externally restricted by creditors (e.g., bond covenants), grantors, contributors or laws and regulations of other governments or law through constitutional provision or enabling legislation.

H. Income taxes: The Authority is an instrumentality of the state of Texas. As such, income earned in the exercise of its essential government functions is exempt from federal income taxes.

I. Pensions: The net pension liability, deferred outflows and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Authority's participation in the Texas County and District Retirement System (TCDRS), an Agent Plan, and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized in the TCDRS net pension liability calculations when due and payable in accordance with the benefit terms. The investments are stated at fair value.

J. Deferred outflows and inflows of resources: The Authority has classified as deferred inflows of resources items that represent acquisition of net position that applies to future periods and will not be recognized as a revenue until then. The Authority has classified as deferred outflows of resources certain items that represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an expense until then. Bond issuance cost, other than prepaid insurance, is expensed as incurred, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Deferred gains/losses on refunding (the difference between the reacquisition price and the carrying value of the existing debt) are recorded as deferred outflows of resources and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

K. Long-term obligations: Long term obligations are reported as liabilities in the statement of net position and consist of notes and bonds payable and related premiums and discounts. The Authority amortizes premiums and discounts over the estimated life of the bonds as an adjustment to interest expense using the effective interest method.

L. Classification of operating and nonoperating revenue and expenses: The Authority defines operating revenues and expenses as those revenues and expenses generated by the Authority's Tolling System. It also includes all revenues and expenses not related to capital and related financing, noncapital financing or investing activities. This definition is consistent with the Codification of Governmental Accounting and Financial Reporting Standards, which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. All revenues and expense not meeting this definition are reported as nonoperating revenue and expenses.

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

N. Noncash disclosures for statements of cash flows:

Highway 71E Toll Project: Effective February 27, 2013, the Authority executed an agreement with TxDOT and elected to waive and decline the Authority option under the Texas Administrative Code to develop, finance, and construct the Highway 71E Toll Project which consists of three miles of toll lanes (the Project). However, the Authority elected to retain its option to operate any potential toll lanes on the Project and to retain the revenues generated therefrom. Under the agreement, TxDOT funded the development, design, and construction of the Project, subject to partial reimbursement from the Authority as provided in this agreement. The Project was substantially completed and operational in 2017. The completion of the Project resulted in the contribution of the Highway 71E Toll Project asset to the Authority's toll system in the amount of approximately $161.0 million with a repayment liability of approximately $65.0 million, from future toll collections, and a capital contribution from TxDOT of $96.0 million of the toll project cost.

Noncash Disclosure (in Millions)	2017	2016
Highway 71E Toll Project obligation:		
Increase in highway and bridge capital asset	$ 161.0	$ -
Capital Contribution of Highway 71E Toll Project from TxDOT	96.0	-
Increase in Highway 71E Toll Project Obligation to TxDOT	65.0	-
Total	$ 322.0	$ -

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

***Series 2015 and 2016 Obligations*:** The Authority issued its Series 2015A Senior Lien Revenue Bonds and Series 2015B Senior Lien Revenue and Refunding Put Bonds on November 19, 2015, collectively called the Series 2015 Obligations. The Authority issued its Series 2016 Senior Lien Revenue Refunding Bonds on June 1, 2016 and its Series 2016 Subordinate Lien Revenue Refunding Bonds on August 1, 2016, called the Series 2016 Obligations. The refunding effected through the use of a portion of the proceeds of the Series 2015 Obligations and the Series 2016 Obligations resulted in the following noncash transactions:

Noncash Disclosure (in Millions)	2017	2016
Payments to refunding bond escrow:		
2013 B Senior Lien Bonds	$ -	$ 30.0
2010 Senior Lien Bonds	-	51.0
2011 Senior Lien Bonds	70.0	296.0
Issuance costs	1.0	9.4
Deferred outflow on refunding	19.4	74.8
Total	$ 90.4	$ 461.2

Note 2. Cash and Investments

The Authority's Board has adopted an Investment Policy to set forth the factors involved in the management of investment assets for the Authority. The Authority seeks to mitigate risk by investing in compliance with the investment policy, state statutes and bond indenture provisions by qualifying the broker or financial institution with whom the Authority will transact business, maintaining sufficient collateralization, portfolio diversification and limiting maturities.

TexSTAR Investment Pool balances are carried at amortized cost which does not require categorization under GASB No. 72, *Fair Value Measurements and Application*.

The Authority had the following investments as of June 30:

Summary of Investments by Type	2017	2016
Cash and cash equivalents	$ 201,260,774	$ 325,650,552
TexSTAR Investment Pool	169,963,150	16,290,848
United States government sponsored enterprises	125,408,714	204,921,478
Municipal Bonds	-	2,502,883
Total cash and investments	$ 496,632,638	$ 549,365,761
Unrestricted cash and cash equivalents	$ 903,311	$ 714,088
Unrestricted investments	67,774,818	682,683
Restricted cash and cash equivalents:		
Current	118,725,139	55,225,460
Noncurrent	81,632,324	269,711,004
Restricted investments	227,597,046	223,032,526
Total cash and cash equivalent and investment, as reported on the Statement of Net Position	$ 496,632,638	$ 549,365,761

Note 2. Cash and Investments (Continued)

The Authority utilizes various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Authority has the ability to access.

Level 2: Inputs are observable other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3: Inputs are unobservable for the asset or liability, to the extent relevant observable inputs are not available, representing the Authority's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments measured at net asset value do not have significant terms or conditions for redemption or commitment for additional funding. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following tables summarize the inputs used as of June 30, 2017 and 2016 for the Authority's investments measured at fair value:

	Fair Value Hierarchy—June 30, 2017			
Investment Type	Level 1	Level 2	Level 3	Fair Value
Federal HOME Loan Bank	$ -	$ 75,626,854	$ -	$ 75,626,854
Federal Farm Credit Bank	-	39,975,000	-	39,975,000
Farmer MAC	-	9,806,860	-	9,806,860
Total U.S. government sponsored enterprise securities	$ -	$125,408,714	$ -	125,408,714
Investment at amortized cost:				
TexSTAR Investment Pool				169,963,150
Total				$295,371,864

Note 2. Cash and Investments (Continued)

Investment Type	Fair Value Hierarchy—June 30, 2016 Level 1	Level 2	Level 3	Fair Value
Federal HOME Loan Bank	$ -	$ 96,466,199	$ -	$ 96,466,199
Federal HOME Loan Corp.	-	24,092,574	-	24,092,574
Federal HOME Loan Bank Series	-	8,000,675	-	8,000,675
Federal National Mortgage Assn.	-	16,048,171	-	16,048,171
Federal Farm Credit Bank	-	47,974,609	-	47,974,609
Freddie MAC Callable	-	9,838,850	-	9,838,850
Farmer MAC	-	2,500,400	-	2,500,400
Total U.S. government sponsored enterprise securities	$ -	$204,921,478	$ -	204,921,478
Municipal bonds	$ -	$ 2,502,883	$ -	2,502,883
Investment at amortized cost:				
TexSTAR Investment Pool				16,290,848
Total				$223,715,209

Custodial credit risk—deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover its collateral securities that are in the possession of an outside party. The Authority has a formal policy specific to custodial credit risk, which requires bank deposit accounts to be collateralized with pledged securities equal to 105 percent of the carrying value.

There is no limit on the amount the Authority may deposit in any one institution. The Authority was fully collateralized with pledged securities held in the name of the pledging financial institution for amounts in excess of the Federal Deposit Insurance Corporation limit of approximately $318.0 thousand as of June 30, 2017.

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

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

Note 2. Cash and Investments (Continued)

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

The Authority's portfolio consisted of the following as of June 30:

	2017		2016	
TexSTAR Investment Pool	$ 169,963,150	57.5%	$ 16,290,848	7.3%
Federal HOME Loan Bank	75,626,854	25.6%	96,466,199	43.1%
Federal HOME Loan Corp.	-	-	24,092,574	10.8%
Federal HOME Loan Bank Series	-	-	8,000,675	3.6%
Federal National Mortgage Assn.	-	-	16,048,171	7.2%
Federal Farm Credit Bank	39,975,000	13.5%	47,974,609	21.4%
Freddie Mac Callable	-	-	9,838,850	4.4%
Farmer MAC	9,806,860	3.3%	2,500,400	1.1%
U.S. government sponsored enterprises	$ 125,408,714	42.5%	$ 204,921,478	91.6%
Municipal bonds	$ -	0.0%	$ 2,502,883	1.1%

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

The Authority's investment policy notes that with regard to maximum maturities, the Authority will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest operating or general funds in securities maturing more than 16 months from the date of purchase, unless approved by the Authority's Board. Investment of bond proceeds shall not exceed the projected expenditure schedule of the related project. Reserve funds may be invested in securities exceeding 12 months if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

As of June 30, 2017 and 2016, the Authority's investments in debt securities mature as follows:

Investment Maturities (in Days)—2017

Investment Type	90 Days or Less	91 to 180 Days	181 to 365 Days	Greater Than 365 Days	Fair Value
Federal HOME Loan Bank	$ 21,275,076	$ 14,387,328	$ 39,964,450	$ -	$ 75,626,854
Federal Farm Credit Bank	24,996,000	-	14,979,000	-	39,975,000
Farmer MAC	-	9,806,860	-	-	9,806,860
Total U.S. government sponsored enterprise securities	$ 46,271,076	$ 24,194,188	$ 54,943,450	$ -	$ 125,408,714

Note 2. Cash and Investments (Continued)

Investment Maturities (in Days)—2016

Investment Type	90 Days or Less	91 to 180 Days	181 to 365 Days	Greater Than 365 Days	Fair Value
Federal HOME Loan Bank	$ -	$ 33,307,172	$ 17,021,525	$ 46,137,502	$ 96,466,199
Federal HOME Loan Corp.	-	-	24,092,574	-	24,092,574
Federal HOME Loan Bank Series	-	-	-	8,000,675	8,000,675
Federal National Mortgage Assn.	-	-	16,048,171	-	16,048,171
Federal Farm Credit Bank	-	-	8,000,590	39,974,019	47,974,609
Freddie Mac Callable	-	-	-	9,838,850	9,838,850
Farmer MAC	-	-	2,500,400	-	2,500,400
Total U.S. government sponsored enterprise securities	-	33,307,172	67,663,260	103,951,046	204,921,478
Municipal bonds	-	-	-	2,502,883	2,502,883
Total	$ -	$ 33,307,172	$ 67,663,260	$ 106,453,929	$ 207,424,361

Local Government Investment Pool: The Texas Short-Term Asset Reserve Fund (TexSTAR) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. TexSTAR is managed by a 5-member board of trustees who has contracted with JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. to administer the operations of the fund. TexSTAR is rated AAA by Standard & Poor's and maintains a weighted average maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The amounts can be withdrawn with limited notice.

The Chief Financial Officer of the Authority is the President of TexSTAR. The Authority has investments of $170.0 million and $16.3 million, respectively in TexSTAR as of June 30, 2017 and 2016.

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

- Limiting investments to the safest types of securities, as listed above under the concentration of credit risk section
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Authority will do business

Note 2. Cash and Investments (Continued)

The Authority's investments had the following credit risk structure as of June 30, 2017 and 2016, based on Standard & Poor's ratings:

U.S. Government Sponsored Enterprise Securities	Standard & Poor's Investment Grade Rating	2017	2016
Federal HOME Loan Bank	AA+	$ 75,626,854	$ 96,466,199
Federal HOME Loan Corp.	AA+	-	24,092,574
Federal HOME Loan Bank Series	AA+	-	8,000,675
Federal National Mortgage Assn.	AA+	-	16,048,171
Federal Farm Credit Bank	AA+	39,975,000	47,974,609
Freddie MAC Callable	AA+	-	9,838,850
Farmer MAC	AA+	9,806,860	2,500,400
Total U.S. government sponsored enterprise securities		125,408,714	204,921,478
Municipal bonds	AAA	-	2,502,883
Total		$ 125,408,714	$ 207,424,361

Note 3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2017 and 2016.

	2016	Additions	Disposals	Transfers	2017
Nondepreciable assets:					
Construction in progress	$ 338,554,088	$ 262,061,658	$ -	$ (6,282,656)	$ 594,333,090
Right of way	86,849,831	1,298,277	-	-	88,148,108
Total nondepreciable assets	425,403,919	263,359,935	-	(6,282,656)	682,481,198
Depreciable assets:					
Property and equipment	11,829,980	662,733	-	(18,715)	12,473,998
Toll road:					
Building and toll facilities	7,062,332	-	-	-	7,062,332
Highways and bridges	688,882,100	163,189,726	-	6,282,656	858,354,482
Toll equipment	27,734,552	1,372,379	-	-	29,106,931
Signs	13,001,702	-	-	-	13,001,702
Land improvements	14,243,759	-	-	-	14,243,759
Total depreciable assets	762,754,425	165,224,838	-	6,263,941	934,243,204
Property and equipment	(10,234,692)	(612,070)	-	18,715	(10,828,047)
Building and toll facilities	(1,594,679)	(177,115)	-	-	(1,771,794)
Highways and bridges	(76,374,847)	(17,459,980)	-	-	(93,834,827)
Toll equipment	(10,477,858)	(2,639,079)	-	-	(13,116,937)
Signs	(1,745,346)	(325,893)	-	-	(2,071,239)
Land improvements	(2,734,886)	(884,934)	-	-	(3,619,820)
Accumulated depreciation	(103,162,308)	(22,099,071)	-	18,715	(125,242,664)
Net property and equipment	$ 1,084,996,036	$ 406,485,702	$ -	$ -	$ 1,491,481,738

Note 3. Capital Assets (Continued)

	2015	Additions	Disposals	Transfers	2016
Nondepreciable assets:					
Construction in progress	$ 139,131,886	$ 213,967,813	$ -	$ (14,545,611)	$ 338,554,088
Right of way	86,838,920	10,911	-	-	86,849,831
Total nondepreciable assets	225,970,806	213,978,724	-	(14,545,611)	425,403,919
Depreciable assets:					
Property and equipment	11,767,254	80,829	-	(18,103)	11,829,980
Toll road:					
Building and toll facilities	7,073,225	-	(10,893)	-	7,062,332
Highways and bridges	674,370,989	-	-	14,511,111	688,882,100
Toll equipment	27,700,052	-	-	34,500	27,734,552
Signs	13,001,702	-	-	-	13,001,702
Land improvements	14,243,759	-	-	-	14,243,759
Total depreciable assets	748,156,981	80,829	(10,893)	14,527,508	762,754,425
Property and equipment	(9,640,883)	(611,912)	-	18,103	(10,234,692)
Building and toll facilities	(1,417,564)	(177,115)	-	-	(1,594,679)
Highways and bridges	(59,437,222)	(16,937,625)	-		(76,374,847)
Toll equipment	(7,723,633)	(2,754,225)	-	-	(10,477,858)
Signs	(1,419,453)	(325,893)	-	-	(1,745,346)
Land improvements	(1,849,952)	(884,934)	-	-	(2,734,886)
Accumulated depreciation	(81,488,708)	(21,691,703)	-	18,103	(103,162,308)
Net property and equipment	$ 892,639,079	$ 192,367,850	$ (10,893)	$ -	$ 1,084,996,036

Construction in progress as of June 30, 2017 and 2016, consists of the following:

	2016	Additions	Disposals	Transfers	2017
Construction in progress:					
Preliminary and construction costs	$ 323,615,537	$ 245,980,128	$ -	$ (6,330,241)	$ 563,265,424
Collection system	5,263,163	2,111,696	-	-	7,374,859
Capitalized interest	9,675,388	13,969,834	-	47,585	23,692,807
Net construction in progress	$ 338,554,088	$ 262,061,658	$ -	$ (6,282,656)	$ 594,333,090

	2015	Additions	Disposals	Transfers	2016
Construction in progress:					
Preliminary and construction costs	$ 136,211,585	$ 201,880,258	$ -	$ (14,476,306)	$ 323,615,537
Collection system	2,361,793	2,935,875	-	(34,505)	5,263,163
Capitalized interest	558,508	9,151,680	-	(34,800)	9,675,388
Net construction in progress	$ 139,131,886	$ 213,967,813	$ -	$ (14,545,611)	$ 338,554,088

Depreciation expense for the years ended June 30, 2017 and 2016, totaled $22,099,071 and $21,691,703, respectively.

Note 3. Capital Assets (Continued)

As of June 30, 2017 and 2016, the Authority has nontolling system projects (projects other than Highway 290E, Highway 183A Toll, Highway 71E and 183 South Toll) construction in progress for the following projects:

	2017	2016
Construction in progress nonsystem projects:		
MoPac Improvement Project	$ 161,541,983	$ 136,621,836
MoPac South	11,327,315	9,233,160
183N Mobility	8,455,862	6,996,455
SH45 Southwest	31,775,145	9,644,284
US290 West (Oak Hill)	3,793,939	2,801,420
	$ 216,894,244	$ 165,297,155

Note 4. Notes and Bonds Payable

The following schedule summarizes total notes and bonds payable for the years ended June 30, 2017 and 2016:

	2016	Additions/ Amortization	Deductions	2017	Due Within One Year
American Bank Note	$ 5,300,000	$ -	$ (1,730,000)	$ 3,570,000	$ 1,765,000
Total notes	5,300,000	-	(1,730,000)	3,570,000	1,765,000
Series 2010 Obligations	43,549,710	-	-	43,549,710	-
Series 2010 CAB accretion	21,005,210	4,331,927	-	25,337,137	-
Total 2010 Bonds, net	64,554,920	4,331,927	-	68,886,847	-
Series 2011 Obligations	79,999,944	-	(70,000,000)	9,999,944	-
Series 2011 CAB accretion	3,573,728	924,450	-	4,498,178	-
Total 2011 Bonds, net	83,573,672	924,450	(70,000,000)	14,498,122	-
Series 2013 Obligations	249,910,000	-	(4,695,000)	245,215,000	4,800,000
Total 2013 Bonds, net	249,910,000	-	(4,695,000)	245,215,000	4,800,000
TIFIA Bond 2015	51,130	1,401	-	52,531	-
SIB Bond 2015	5,701,479	24,817,374	-	30,518,853	-
SHF Bond 2015	5,701,479	24,817,374	-	30,518,853	-
Series 2015 Bonds	367,575,000	-	-	367,575,000	-
Total 2015 Bonds, net	379,029,088	49,636,149	-	428,665,237	
Sub Lien Refunding Bonds, Series 2016	-	74,690,000	-	74,690,000	-
Sr. Lien Refunding Bonds, Series 2016	358,030,000	-	-	358,030,000	385,000
Total 2016 Bonds, net	358,030,000	74,690,000	-	432,720,000	385,000
71E Toll Project Obligation	-	65,000,000	-	65,000,000	-
Total bonds and obligations payable	1,135,097,680	119,892,526	(74,695,000)	1,254,985,206	5,185,000
Total notes, bonds, and obligations payable	1,140,397,680	119,892,526	(76,425,000)	1,258,555,206	6,950,000
Net (premium) discount on revenue bonds payable	104,128,955	10,826,977	(8,995,015)	105,960,917	-
Total notes, bonds and obligations payable, net	1,244,526,635	$ 130,719,503	$ (85,420,015)	1,364,516,123	$ 6,950,000
Less current maturities of notes and bonds payable	(6,425,000)			(6,950,000)	
Total	$ 1,238,101,635			$ 1,357,566,123	

Note 4. Notes and Bonds Payable (Continued)

	2015	Additions/ Amortization	Deductions	2016	Due Within One Year
2011 Draw Down Note	$ 1,730,258	$ -	$ (1,730,258)	$ -	$ -
2015 Draw Down Note	-	21,039,752	(21,039,752)	-	-
American Bank Note	5,300,000	-	-	5,300,000	1,730,000
Total notes	7,030,258	21,039,752	(22,770,010)	5,300,000	1,730,000
Series 2010 Obligations	94,739,710	-	(51,190,000)	43,549,710	-
Series 2010 CAB accretion	16,981,598	4,023,612	-	21,005,210	-
Total 2010 Bonds, net	111,721,308	4,023,612	(51,190,000)	64,554,920	-
Series 2011 Obligations	375,929,944	-	(295,930,000)	79,999,944	-
Series 2011 CAB accretion	2,756,230	817,498	-	3,573,728	-
Total 2011 Bonds, net	378,686,174	817,498	(295,930,000)	83,573,672	-
Series 2013 Obligations	285,085,000	-	(35,175,000)	249,910,000	4,695,000
Total 2013 Bonds, net	285,085,000	-	(35,175,000)	249,910,000	4,695,000
TIFIA Bonds 2015	-	51,130	-	51,130	-
SIB Bond 2015	-	5,701,479	-	5,701,479	-
SHF Bond 2015	-	5,701,479	-	5,701,479	-
Series 2015 Bonds	-	367,575,000	-	367,575,000	-
Total Series 2015 Bonds	-	379,029,088	-	379,029,088	
Sr. Refunding Bonds, Series 2016	-	358,030,000	-	358,030,000	-
Total 2016 Bonds, net	-	358,030,000	-	358,030,000	-
Total bonds payable	775,492,482	741,900,198	(382,295,000)	1,135,097,680	4,695,000
Total notes, bonds and obligations payable	782,522,740	762,939,950	(405,065,010)	1,140,397,680	6,425,000
Net (premium) discount on revenue bonds payable	12,340,215	93,048,445	(1,259,705)	104,128,955	-
Total notes, bonds and obligations payable, net	794,862,955	$ 855,988,395	$ (406,324,715)	1,244,526,635	$ 6,425,000
Less current maturities of notes and bonds payable	(6,905,258)			(6,425,000)	
Total	$ 787,957,697			$ 1,238,101,635	

The Series 2010 Obligations, the Series 2011 Obligations, the Series 2013 Obligations, the Series 2015 Obligations and the Series 2016 Obligations, each as further described below, were issued pursuant to a bond indenture between the Authority and the trustee named therein, and are secured by and payable from the trust estate established thereby, in the manner described in and subject to the terms and conditions of the bond indenture.

Series 2010 Obligations: The Authority issued its Series 2010 Senior Lien Revenue Bonds and Taxable Series 2010 Subordinate Lien Revenue Build America Bonds (Series 2010 Subordinate Lien BABs) on March 1, 2010, collectively called the Series 2010 Obligations. The Series 2010 Senior Lien Revenue Bonds were issued in part as current interest bonds (Series 2010 CIBs) and in part as capital appreciation bonds (Series 2010 CABs). The Series 2010 Subordinate Lien BABs were refunded and redeemed in whole by the Authority on June 5, 2013.

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

Note 4. Notes and Bonds Payable (Continued)

The Series 2010 CIBs are scheduled to mature in 2019 through 2020. Interest on the Series 2010 CIBs is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 5.75 percent. Interest on the Series 2010 CIBs is payable on each July 1 and January 1, commencing July 1, 2010. During fiscal year 2016, $51.2 million in principal amount of the Series 2010 CIBs were refunded from a portion of the proceeds from the Series 2016 Senior Lien Revenue Refunding Bonds. As of June 30, 2017 and 2016, the outstanding principal amount was $8.5 million for each year.

The Series 2010 CABs are scheduled to mature in 2025 through 2040 at an aggregated maturity amount of $176.1 million. The principal amount of $34.9 million of the Series 2010 CABs represents the total amount of outstanding principal before the accreted and compounded interest as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, the aggregate maturity amount is $34.9 million plus the accretion of $25.3 million and $21.1 million, respectively.

Interest on the Series 2010 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 7.20 percent to 7.85 percent and will compound on each July 1 and January 1, commencing July 1, 2010. Such accreted and compounded interest will be paid as part of the maturity amount at stated maturity.

The amount of accumulated accreted interest on the Series 2010 CABs as of June 30, 2017 and 2016 is $25.3 million and $21.1 million, respectively. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2010.

Series 2011 Obligations: The Authority issued its Series 2011 Senior Lien Revenue Bonds and Series 2011 Subordinate Lien Revenue Bonds on June 29, 2011, collectively called the Series 2011 Obligations. The Series 2011 Senior Lien Revenue Bonds were issued in part as current interest bonds (Series 2011 CIBs) and in part as capital appreciation bonds (Series 2011 CABs).

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

During fiscal year 2016, the Series 2011 CIBs were refunded in full in the principal amount of $295.9 million from a portion of the proceeds from the Series 2016 Senior Lien Revenue Refunding Bonds. The Series 2011 CIBs were scheduled to mature starting in 2026 through 2046. Interest on the Series 2011 CIBs is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 5.75 percent to 6.25 percent. Interest on the Series 2011 CIBs was payable on each July 1 and January 1, commencing January 1, 2012.

The Series 2011 CABs are scheduled to mature starting in 2022 through 2026 at an aggregated maturity amount of $22.1 million. The principal amount of $9.9 million for the Series 2011 CABs represents the total amount of outstanding principal before the accreted and compounded interest as of June 30, 2017 and 2016. As of June 30, 2017 and 2016, the aggregate maturity amount was $9.9 million plus the accretion of $4.5 million and $3.5 million, respectively.

Note 4. Notes and Bonds Payable (Continued)

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 5.9 percent to 6.5 percent and will compound on each July 1 and January 1, commencing July 1, 2011. Such accreted and compounded interest will be paid as part of the maturity amount at stated maturity.

The amount of accumulated accreted interest on the Series 2011 CABs as of June 30, 2017 and 2016 was $4.5 million and $3.5 million, respectively. The accumulated accreted interest is added to the outstanding principal on July 1 and January 1 of each year beginning July 1, 2011.

During fiscal year 2017, the Series 2011 Subordinate Lien Revenue Bonds were refunded in full in the principal amount of $70.0 million with a portion of the proceeds from the Series 2016 Subordinate Lien Revenue Refunding Bonds. The Series 2011 Subordinate Lien Revenue Bonds were issued as current interest bonds and were scheduled to mature starting in 2023 through 2041. Interest on the Series 2011 Subordinate Lien Revenue Bonds is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 6.75 percent. Interest on the Series 2011 Subordinate Lien Revenue Bonds is payable on each July 1 and January 1, commencing January 1, 2012. As of June 30, 2016, the outstanding principal amount was $70.0 million.

Series 2013 Obligations: The Authority issued its Series 2013A Senior Lien Revenue Refunding Bonds (Series 2013A Senior Lien Bonds), Series 2013B Senior Lien Revenue Refunding Put Bonds (Series 2013B Senior Lien Put Bonds) and Series 2013 Subordinate Lien Revenue Refunding Bonds (Series 2013 Subordinate Lien Bonds), collectively called the Series 2013 Obligations, on May 16, 2013.

The proceeds from the Series 2013 Obligations were used to (i) refund in full the Authority's Series 2005 Senior Lien Revenue Bonds, the Authority's 2005 TIFIA Bond, and the Authority's Series 2010 Subordinate Lien BABs, (ii) make a deposit to the Subordinate Lien Debt Service Reserve Fund and (iii) pay certain issuance costs of the Series 2013 Obligations.

The Series 2013A Senior Lien Bonds were issued as current interest bonds and are scheduled to mature on dates ranging from 2016 through 2043. Interest on the Series 2013A Senior Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at a rate of 5 percent. Interest on the Series 2013A Senior Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013. As of June 30, 2017 and 2016, the outstanding principal amount was $143.7 million and $147.9 million, respectively.

The Series 2013B Senior Lien Put Bonds were issued as current interest bonds and as variable rate obligations and were scheduled to mature starting in 2039 through 2045. Through the period that commenced on the issuance date thereof and ending on January 3, 2016 (initial multiannual rate period), the Series 2013B Senior Lien Put Bonds accrued interest at a rate of 3 percent per annum. Interest on the Series 2013B Senior Lien Put Bonds during the initial multiannual rate period was payable on each July 1 and January 1, commencing July 1, 2013. During fiscal year 2016 and prior to the end of the initial multiannual rate period, the Series 2013B Senior Lien Put Bonds were refunded in full in the principal amount of $30.0 million with a portion of the proceeds from the Series 2015B Senior Lien Revenue and Refunding Put Bonds.

The Series 2013 Subordinate Lien Bonds were issued as current interest bonds and are scheduled to mature in 2016 through 2042. Interest on the Series 2013 Subordinate Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at the rate of 5 percent. Interest on the Series 2013 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2013. As of June 30, 2017 and 2016, the outstanding principal amount was $101.5 million and $102.0 million, respectively.

Note 4. Notes and Bonds Payable (Continued)

Series 2015 Obligations: The Authority issued its Senior Lien Revenue Bonds, Series 2015A (the Series 2015A Bonds) and its Senior Lien Revenue and Refunding Put Bonds, Series 2015B (the Series 2015B Bonds) on November 19, 2015. The Authority issued its Subordinate Lien Revenue Bond, Taxable Series 2015C (the 2015C TIFIA Bond), its Subordinate Lien Revenue Bond , Taxable Series 2015D (the 2015D SHF Bond), and its Subordinate Lien Revenue Bond, Taxable Series 2015E (the 2015E SIB Bond) on November 18, 2015. The Series 2015A Bonds, the Series 2015B Bonds, the 2015C TIFIA Bond, the 2015D SHF Bond and the 2015E SIB Bond are collectively referred to as the Series 2015 Obligations.

A portion of the proceeds of the Series 2015 Obligations will be used to finance and refinance the costs of designing, engineering, developing and constructing the 183 South Project. The remaining proceeds of the Series 2015 Obligations were used to (i) refund and redeem in whole the Authority's outstanding Senior Lien Revenue Refunding Put Bonds, Series 2013B, (ii) prepay in whole the Authority's outstanding 2015 Draw Down Note, (iii) pay capitalized interest with respect to the Series 2015A Bonds, (iv) make deposits to the Senior Lien Debt Service Reserve Fund and (v) pay certain issuance costs of the Series 2015 Obligations.

Series 2015A Bonds: The Series 2015A Bonds were issued as current interest bonds and are scheduled to mature in 2025 through 2045. Interest on the Series 2015A Bonds is calculated on the basis of a 360-day year of 12, 30-day months at a rate of 5 percent. Interest on the Series 2015A Bonds is payable on each July 1 and January 1, commencing January 1, 2016. As of June 30, 2017 and 2016, the outstanding principal amount was $298.8 million for both years.

Series 2015B Bonds: The Series 2015B Bonds were issued as current interest bonds and as variable rate obligations and are scheduled to mature on January 1, 2045. Through the period that commenced on the issuance date thereof and ends on January 6, 2021 (initial multiannual rate period), the Series 2015B Bonds will bear interest at a rate of 5 percent. On January 7, 2021, the Series 2015B Bonds are subject to mandatory tender at a purchase price equal to the principal amount thereof plus accrued interest to such purchase date. If, on such date, all Series 2015B Bonds are not successfully remarketed, the Authority has no obligation to purchase such Bonds on such date, and all Series 2015B Bonds will continue to be outstanding and will bear interest at a rate of 9 percent per annum until subsequently remarketed.

Interest on the Series 2015B Bonds during the initial multiannual rate period is calculated on the basis of a 360-day year of 12, 30-day months and is payable on each January 1 and July 1, commencing January 1, 2016. Pursuant to the terms of the bond indenture, the Series 2015B Bonds are subject to mandatory tender for purchase and conversion to another interest rate mode at the times stated therein. As of June 30, 2017 and 2016, the outstanding principal amount was $68.8 million for both years.

2015C TIFIA Bond: In November 2015, the Authority entered into a secured loan agreement (the TIFIA Loan Agreement) with the United States Department of Transportation, pursuant to which the Authority is authorized to borrow an amount not to exceed $282,200,885 to pay eligible projects costs of the 183 South Project. The Authority’s obligation to repay amounts borrowed under the TIFIA Loan Agreement is evidenced by the 2015C TIFIA Bond. The 2015C TIFIA Bond bears interest at 3.08 percent per annum and the final maturity date thereof will be the earlier of (i) the date this is 35 years from the date of substantial completion of the 183 South Project and (ii) July 1, 2049. Payments of principal and interest due on the 2015C TIFIA Bond are payable in the amounts set forth in the TIFIA Loan Agreement on each January 1 and July 1, commencing on the earlier of (i) July 1, 2024 and (ii) the semiannual payment date on (or immediately preceding) the fifth anniversary of the date of substantial completion of the 183 South Project.

Note 4. Notes and Bonds Payable (Continued)

The Authority received loan proceeds of $51,130 during fiscal year 2016 under the TIFIA Loan Agreement. As of June 30, 2017 and 2016 the 2015C TIFA Bond had an outstanding balance of $52,531 and $51,130, respectively.

2015D SHF Bond: In November 2015, the Authority entered into a secured loan agreement (the SHF Loan Agreement) with the TxDOT, pursuant to which the Authority is authorized to borrow an amount not to exceed $30 million to pay eligible projects costs of the 183 South Project. The Authority's obligation to repay amounts borrowed under the SHF Loan Agreement is evidenced by the 2015D SHF Bond. Interest on the 2015D SHF Bond is payable on each January 1 and July 1, commencing July 1, 2020, and installments of principal thereof are payable on each July 1, commencing July 1, 2025 in the amounts set forth in the SHF Loan Agreement. The 2015D SHF Bond bears interest at 4 percent per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $24.3 million and $5.7 million during fiscal year 2017 and 2016, respectively, under the SHF Loan Agreement. As of June 30, 2017 and 2016, the 2015D SHF Bond had an outstanding balance of $30.5 million and $5.7 million, respectively. As of June 30, 2017, the 2015D SHF Bond balance included accrued interest of approximately $500,000.

2015E SIB Bond: In November 2015, the Authority entered into a secured loan agreement (the SIB Loan Agreement) with the TxDOT, pursuant to which the Authority is authorized to borrow an amount not to exceed $30 million to pay eligible projects costs of the 183 South Project. The Authority's obligation to repay amounts borrowed under the SIB Loan Agreement is evidenced by the 2015E SIB Bond. Interest on the 2015E SIB Bond is payable on each January 1 and July 1, commencing July 1, 2020, and installments of principal thereof are payable on each July 1, commencing July 1, 2025 in the amounts set forth in the SIB Loan Agreement. The 2015E SIB Bond bears interest at 4 percent per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $24.3 million and $5.7 million during fiscal year 2017 and 2016, respectively, under the SIB Loan Agreement. As of June 30, 2017 and 2016, the 2015E SIB Bond had an outstanding balance of 30.5 million and $5.7 million, respectively. As of June 30, 2017, the 2015E SIB Bond balance included accrued interest of approximately $500,000.

Series 2016 Obligations: On August 1, 2016, the Authority issued its Series 2016 Subordinate Lien Revenue Refunding Bonds (2016 Subordinate Lien Bonds) and on June 1, 2016 the Authority issued its Series 2016 Senior Lien Revenue Refunding Bonds (2016 Senior Lien Bonds), collectively called the Series 2016 Obligations. The proceeds of the Series 2016 Senior Lien Bonds were used to (i) refund a portion of the Series 2010 CIBs and portions of the Series 2011 CIBs and (ii) pay issuance costs of the Series 2016 Senior Lien Bonds.

The 2016 Subordinate Lien Bonds were issued as current interest bonds and are scheduled to mature in 2018 through 2041. Interest on the 2016 Subordinate Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 3.125 percent to 5.000 percent. Interest on the 2016 Subordinate Lien Bonds is payable on each July 1 and January 1, commencing January 1, 2017. As of June 30, 2017, the outstanding principal amount was $74.69 million.

The 2016 Senior Lien Bonds were issued as current interest bonds and are scheduled to mature in 2020 through 2046. Interest on the 2016 Senior Lien Bonds is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 3.375 percent to 5.000 percent. Interest on the 2016 Senior Lien Bonds is payable on each July 1 and January 1, commencing July 1, 2016. As of June 30, 2017 and 2016, the outstanding principal amount was $358.0 million for both years.

Note 4. Notes and Bonds Payable (Continued)

As a result of the 2016 Senior Lien Bonds noted above, the Authority will realize a total decrease of $62.2 million in debt service payments over the life of the bonds and recognized a deferred outflow of resources of $74.8 million in fiscal year 2016. Through this refunding, the Authority obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $44.0 million.

As a result of the 2016 Subordinate Lien Bonds noted above, the Authority will realize a total decrease of $23.7 million in debt service payments over the life of the bonds and total deferred outflow of resources of $19.4 million. Through this refunding, the Authority obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $15.0 million.

2011 Draw Down Note: In December 2011, the Authority entered into a secured loan agreement with a bank for a secured draw down note facility in an aggregate amount up to $5.0 million (the 2011 Draw Down Note).

The 2011 Draw Down Note matured on December 15, 2015 and required monthly interest payments on outstanding balances. Interest was payable on the 2011 Draw Down Note at the one-month LIBOR rate plus 2.85 percent. Certain funds of the Authority were collateral for the 2011 Draw Down Note.

Proceeds from the 2011 Draw Down Note were used to pay (i) expenses of studying the cost, design, engineering, and feasibility of transportation projects; (ii) expenses associated with securing the 2011 Draw Down Note and (iii) the reimbursement to the Authority of costs attributable to certain preliminary cost and feasibility and other expenses relating to the preparation of financing of the transportation projects incurred prior to the execution of the 2011 Draw Down Note.

During fiscal year 2016, the 2011 Drawn Down Note was repaid in full with principal and interest payments of $1.7 million.

American Bank Note: In June 2013, the Authority entered into a secured loan agreement with a bank for an aggregate principal amount not to exceed $5,300,000 (the Loan). The Loan bears interest at 2.25 percent per annum and matures on January 1, 2019. The Loan requires semiannual interest payments on the outstanding balance starting January 1, 2013. Certain funds of the Authority are collateral for the Loan.

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

The Loan had an outstanding balance of $3.6 million and $5.3 million as of June 30, 2017 and 2016, respectively.

2015 Draw Down Note: In September 2015, the Authority entered into a secured loan agreement with a bank for a secured draw down note facility in an aggregate amount not to exceed $75.0 million (the 2015 Draw Down Note).

Note 4. Notes and Bonds Payable (Continued)

Proceeds from the 2015 Draw Down Note were used to pay (i) engineering, design and construction costs of the 183 South Project, (ii) costs associated with securing the 2015 Draw Down Note and (iii) the reimbursement to the Authority of costs attributable to certain preliminary cost and feasibility and other expenses relating to the preparation of financing of the 183 South Project incurred prior to the execution and delivery of the 2015 Draw Down Note.

During fiscal year 2016, the Authority received loan proceeds under the 2015 Draw Down Note of $21.0 million. During fiscal year 2016, the 2015 Draw Down Note was repaid in full with a portion of the proceeds from the Series 2015A Senior Lien Revenue Bonds. Prior to the repayment thereof, interest was payable on the 2015 Draw Down Note at a rate of 0.70 percent. Certain funds of the Authority were collateral for the 2015 Draw Down Note.

71E Toll Project Obligation to TxDOT: The Authority, the Capitol Area Metropolitan Planning Organization and TxDOT approved the execution of a Project Agreement (the SH 71 Agreement) for the development of toll lanes on SH 71 extending from Presidential Boulevard to just east of SH 130, including the realignment of FM 973 where that road intersects with SH 71 (the SH 71 Project).

Pursuant to a resolution adopted by the Authority's Board, the Authority has waived and declined to exercise its option to develop, finance, and construct the SH 71 Project, and has retained (and did not waive) its option to operate any potential toll lanes on the SH 71 Project and to retain the revenues generated therefrom. Upon completion of the SH 71 Project, the SH 71 Agreement obligates the Authority to operate and maintain the toll lanes and related infrastructure of the SH 71 Project developed, financed and constructed by TxDOT. The Authority will retain the revenues generated from the SH 71 Project, which revenues will be used to pay operation and maintenance costs of the toll lanes, toll facilities and related equipment, and one-half of the remaining revenues from the SH 71 Project must be used to reimburse TxDOT for up to $65.0 million of the costs of the SH 71 Project (the TxDOT Reimbursement Amount), plus interest thereon at 3.62 percent per annum, compounded annually. The SH 71 Agreement obligates the Authority to repay the TxDOT Reimbursement Amount solely from one-half of the net revenues of the SH 71 Project over a 35-year term, with the first payment being due on the first anniversary of substantial completion of the SH 71 Project and continuing every year thereafter for a total of 35 years or until the TxDOT Reimbursement Amount and all accrued interest is paid.

Under the SH 71 Agreement, TxDOT is obligated to operate and maintain all other aspects of the SH 71 Project, including but not limited to, the general purpose lanes and the FM 973 realigned intersection with SH 71.

As of June 30, 2017, the toll lanes of the SH 71 Project are operational and the Authority recorded a capital contribution of $96.0 million and a note payable to TxDOT of $65.0 million. The SH 71 Project was substantially completed on March 8, 2017, and, accordingly, the first payment payable by the Authority to TxDOT under the SH 71 Agreement is due on March 8, 2018.

Note 4. Notes and Bonds Payable (Continued)

2016 SHF SH 45SW Loan: In October 2016, the Authority entered into a secured loan agreement (the SHF SH 45SW Loan Agreement) with TxDOT, pursuant to which the Authority is authorized to borrow an amount not to exceed $60 million to pay eligible project costs of the SH 45 Southwest Project. Interest on amounts borrowed under the SHF SH 45SW Loan Agreement (i) will accrete at 4 percent per annum, compounding semi-annually on each January 1 and July 1, until the January 1 or July 1 which is six months prior to the initial interest payment date, and (ii) is payable on each January 1 and July 1, commencing on the first January 1 or July 1 closest to the fifth anniversary of the initial disbursement made under the SHF SH 45SW Loan Agreement. Principal installment payments are due on amounts borrowed under the SHF SH 45SW Loan Agreement on each January 1, commencing on the January 1 closest to the tenth anniversary of the initial disbursement made under the SHF SH 45SW Loan Agreement, in the amounts set forth therein. Amounts borrowed under the SHF SH 45SW Loan Agreement will bear interest at 4 percent per annum and the final maturity date thereof is January 1, 2049. The Authority may defer up to 25 percent of the principal and interest due on any principal or interest payment date, not to exceed two years and not past the final maturity date. The net revenues from the SH 45 Southwest Project have been pledged as collateral for amounts borrowed under the SHF SH 45SW Loan Agreement.

As of June 30, 2017, no amounts had been borrowed under the SHF SH 45SW Loan Agreement and, accordingly, no amount was outstanding.

Future payments on debt obligations: Future payments of principal and interest on the Authority's bonds and notes described in this Note 4 (based on the scheduled payments) as of June 30, 2017, are as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Notes Payable	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2018	$ 5,185,000	$ 51,458,700	$ -	$ -	$ 1,765,000	$ 80,325
2019	7,425,000	51,694,925	-	-	1,805,000	40,613
2020	14,460,000	51,393,175	-	-	-	-
2021	15,965,000	50,998,663	-	-	-	2,749,534
2022	18,105,000	49,958,950	-	-	-	2,749,534
2022-2026	100,695,000	234,528,000	480,449	404,551	680,575	13,722,720
2027-2031	163,870,000	204,501,250	19,457,849	32,777,151	10,079,020	12,445,998
2032-2036	225,835,000	156,838,688	13,165,369	44,324,631	12,255,532	10,418,158
2037-2041	289,490,000	95,077,650	8,342,708	46,772,292	14,909,546	7,711,066
2042-2046	213,030,000	25,973,000	3,553,280	28,971,720	18,143,754	4,415,772
2047-2051	-	-	-	-	5,021,810	776,560
	$ 1,054,060,000	$ 972,423,001	$ 44,999,655	$ 153,250,345	$ 64,660,237	$ 55,110,280

Note 4. Notes and Bonds Payable (Continued)

	Total Debt Service	
	Principal	Interest
2018	$ 6,950,000	$ 51,539,025
2019	9,230,000	51,735,538
2020	14,460,000	51,393,175
2021	15,965,000	53,748,197
2022	18,105,000	52,708,484
2022-2026	101,856,024	248,655,271
2027-2031	193,406,869	249,724,399
2032-2036	251,255,901	211,581,477
2037-2041	312,742,254	149,561,008
2042-2046	234,727,034	59,360,492
2047-2051	5,021,810	776,560
Total	1,163,719,892	$ 1,180,783,626
71E Obligation	65,000,000	
Accreted interest	29,835,314	
	94,835,314	
	$ 1,258,555,206	

As described above, the Series 2010 CABs and the Series 2011 CABs were issued as capital appreciation bonds. The accreted interest on the Series 2010 CABs and 2011 CABS are reflected on the Statement of Net Position as additional principal and is reflected in the interest column in this table in the amount of $29,835,314.

Other debt matters: The Authority's outstanding Senior Lien and Subordinate Lien Bonds require the Authority to comply with debt service coverage ratios as defined within the Master Trust Indenture for its outstanding Bonds. The Authority's management believes it is compliant with all significant provisions of the Master Trust Indenture. Under the Indenture, the Authority is required to establish and maintain toll rates sufficient to produce Net Revenues sufficient to pay Projected Debt Service Coverage Ratio of at least 1.40 with respect to Senior Lien Obligations; 1.20 with respect to Senior Lien Obligations and Junior Lien Obligations and 1.20 with respect to Senior Lien Obligations Junior Lien Obligations and Subordinate Lien Obligations and 1.00 with respect to all Obligations.

Note 5. Deferred Outflow and Inflow of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, the Authority has classified the difference between the reacquisition price and the net carrying amount of the defeased debt as a deferred outflow of resources. The deferred outflow of resources is amortized over the term of the defeased bonds and recognized as a component of interest expense annually. The Authority has also deferred outflows and inflows of resources for certain pension related items in accordance with applicable pension standards as noted under Note 8.

Note 5. Deferred Outflow and Inflow of Resources (Continued)

The Authority's deferred outflow of resources balance is composed of the following:

	June 30	
	2017	**2016**
Deferred outflows from bond refundings	$ 109,030,108	$ 90,876,005
Employer pension contribution	227,392	202,873
Difference in pension investment assumption	418,615	502,269
Experience changes	32,857	37,553
Assumption changes	32,699	37,369
	$ 109,741,671	$ 91,656,069

The Authority's deferred inflow of resources balance is composed of the following:

	June 30	
	2017	**2016**
Experience changes	$ 286,449	$ 172,017

Note 6. Rebatable Arbitrage

Current federal income tax law and the bond indentures require that certain arbitrage profits earned on nonpurpose investments attributable to outstanding tax-exempt bonds must be rebated to the United States Treasury. The Authority has not accrued any rebatable arbitrage as of June 30, 2017 and 2016.

Note 7. Risk Management

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences; tort/liability claims; errors and omissions claims; and professional liability claims. As a result of these exposures, the Authority carries insurance with a governmental risk pool under an "all risks" policy. All categories of insurance coverage in place were either maintained at current levels or increased as to overall limits of coverage and reduction of self-retained risk so as to reduce the overall exposure of risk to the Authority. There were no settlements in excess of insurance coverage during fiscal years 2017 and 2016.

Note 8. Employee Retirement Plan

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

Note 8. Employee Retirement Plan (Continued)

Benefits provided: Effective the date of participation, the Authority provides retirement, disability and death benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the Authority at 7 percent and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7 percent, compounded annually. At retirement, the employee's account balance is combined with the Authority's matching and converted into a lifetime monthly benefit. Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The Authority adopted a 10 year/Age 60 Retirement Eligibility described in Section 844.207 of the TCDRS Act, under which: (a) any TCDRS member who has 10 or more years of service credit with the District and other subdivisions that have adopted the provisions of Section 844.207 or 844.210, is a vested member and shall have the right to retire and receive a service retirement annuity after attaining age 60, unless the optional 8 year/age 60 Retirement Eligibility and/or Optional Rule 75 Retirement Eligibility is adopted, as allowed by the plan. The Authority has adopted both the Optional 8 year/Age 60 Retirement Eligibility, which allows an 8-year service eligibility requirement for vesting, service, and disability retirement; and Optional Rule 75, which allows the member to have the right to retire and receive service retirement annuity when years of such credited service added to his or her years of attained age equal or exceed 75.

Any TCDRS member who is a vested member may terminate employment with all participating subdivisions prior to attaining age 60, and remain eligible to retire and receive a service retirement annuity after attaining age 60 provided his or her membership is not terminated other than by retirement.

Any TCDRS member who is a vested member under Section 844.207(d) may retire and receive a disability retirement annuity if he or she is certified as disabled, as defined by the plan.

Any TCDRS member who has four or more years of service credit with the District and other subdivisions is eligible for purposes of the Survivor Annuity Death Benefit.

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Prior service gives employees monetary credit for time worked for an eligible organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit. In addition, the Authority may choose to adopt a cost-of-living adjustment (COLA) for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

Note 8. Employee Retirement Plan (Continued)

Employees covered by benefit terms: The following employees were covered by the benefit terms as of the valuation date December 31:

	2016	2015
Inactive employees or beneficiaries currently receiving benefits	2	1
Inactive employees entitled to, but not yet receiving benefits	11	9
Active employees	24	23
Total	37	33

Contributions: Plan members and the Authority are required to contribute at a rate set by statute. The contribution requirements of plan members and the Authority are established and may be amended. For 2017 and 2016, the contribution rate for the plan members was 7 percent of gross pay. The Authority pays a matching portion to the pension plan totaling 14 percent of gross pay for 2017 and 2016, which totaled $446,675 and $389,889, respectively.

Net pension liability: The Authority's net pension liability was measured as of December 31, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The actuarial assumptions that determined the total pension liability as of December 31, 2016 and 2015 were based on the results of an actuarial experience study for the period from January 1, 2009 through December 31, 2012, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2016	2015
Inflation	3.0%	3.0%
Salary Increases (including inflation plus average merit of 1.4% and productivity of 0.5% for 2016 and 2015)	4.9%	4.9%
Investment rate of return	8.1%	8.1%

Mortality rates were based on the following:

Depositing members: The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110 percent of the MP-2014 Ultimate scale after that.

Note 8. Employee Retirement Plan (Continued)

Service retirees, beneficiaries and nondepositing members: The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110 percent of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees: RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110 percent of the MP-2014 Ultimate scale after with no age adjustment for males and with a two-year set-forward for females.

Long-term rate of return on assets: 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 capital market assumptions and information shown below are provided by TCDRS' investment consultant. The valuation assumption for long-term expected return is 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 capital market assumptions and information shown below are provided by TCDRS' investment consultant based on December 31, 2016, information for a 7-10 year time horizon.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	13.5%	4.7%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index (3)	16.0%	7.7%
Global Equities	MSCI World (net) Index	1.5%	5.0%
International Equities—Developed	MSCI World Ex USA (net)	10.0%	4.7%
International Equities—Emerging	MSCI EM Standard (net) index	7.0%	5.7%
Investment—Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.0%	0.6%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.0%	3.7%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.0%	3.8%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.0%	8.2%
Distressed Debt	Cambridge Associates Distressed Index	3.0%	6.7%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% FRSE EPRA/NAREIT Global Real Estate Index	2.0%	3.9%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.0%	5.6%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.0%	7.2%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	20.0%	3.9%

Note 8. Employee Retirement Plan (Continued)

The capital market assumptions and information shown below are provided by TCDRS' investment consultant based on December 31, 2015, information for a 7-10 year time horizon.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	14.5%	5.5%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index (3)	14.0%	8.5%
Global Equities	MSCI World (net) Index	1.5%	5.8%
International Equities—Developed	MSCI World Ex USA (net)	10.0%	5.5%
International Equities—Emerging	MSCI World Ex USA (net)	8.0%	6.5%
Investment—Grade Bonds	Barclays Capital Aggregate Bond Index	3.0%	1.0%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.0%	5.1%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.0%	5.1%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.0%	6.4%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.0%	8.1%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% FRSE EPRA/NAREIT Global Real Estate Index	3.0%	4.0%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.0%	6.8%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	5.0%	6.9%
Hedge Funds	Hedge Fund Research, Inc. Fund of Funds Composite Index	25.0%	5.3%

(1) Target asset allocation adopted at the April 2017 and 2016 TCDRS Board meetings.

(2) Geometric real rates of return in addition to assumed inflation of 2.0 percent, per investment consultant's 2017 and 2016 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount rate: The discount rate used to measure the total pension liability was 8.1 percent for both December 31, 2016 and 2015. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

(1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability shall be amortized as a level percent of pay over 20-year closed layered periods.

(2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.

(3) The employer'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.

Note 8. Employee Retirement Plan (Continued)

Changes in net pension liability (asset): Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

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 Authority is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB Statement No. 68 purposes. Therefore, the system has used a discount rate of 8.1 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0 percent, net of all expenses, increased by 0.1 percent to be gross of administrative expenses.

Changes in Net Pension Liability (Asset) 2016

	Increase (Decrease)		
Changes in Net Pension Liability (Asset)	**Total Pension Liability (a)**	**Fiduciary Net Position (b)**	**Net Pension Liability (Asset) (a) - (b)**
Balances as of December 31, 2015	$ 4,870,215	$ 5,072,238	$ (202,023)
Changes for the year:			
Service cost	636,083	-	636,083
Interest on total pension liability (1)	417,633	-	417,633
Effect of plan changes (2)	-	-	-
Effect of economic/demographic (gains) or losses	(152,926)	-	(152,926)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(37,296)	(37,296)	-
Benefit payments	(14,389)	(14,389)	-
Administrative expenses	-	(4,111)	4,111
Member contributions	-	211,078	(211,078)
Net investment income	-	378,134	(378,134)
Employer contributions	-	422,157	(422,157)
Other (3)	-	46,648	(46,648)
Balances as of December 31, 2016	$ 5,719,320	$ 6,074,459	$ (355,139)

Note 8. Employee Retirement Plan (Continued)

Changes in Net Pension Liability (Asset) 2015

Changes in Net Pension Liability (Asset)	Increase (Decrease) Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2014	$ 4,221,814	$ 4,696,051	$ (474,237)
Changes for the year:			
Service cost	474,778	-	474,778
Interest on total pension liability (1)	361,003	-	361,003
Effect of plan changes (2)	(33,691)	-	(33,691)
Effect of economic/demographic gains or losses	(193,519)	-	(193,519)
Effect of assumptions changes or inputs	42,041	-	42,041
Refund of contributions	-	-	-
Benefit payments	(2,211)	(2,211)	-
Administrative expenses	-	(3,541)	3,541
Member contributions	-	180,742	(180,742)
Net investment income	-	(162,009)	162,009
Employer contributions	-	361,493	(361,493)
Other (3)	-	1,713	(1,713)
Balances as of December 31, 2015	$ 4,870,215	$ 5,072,238	$ (202,023)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Reflects new annuity purchase rates applicable to all TCDRS employees effective January 1, 2018.

(3) Relates to allocation of system-wide items.

Sensitivity analysis: The following presents the net pension asset/liability of the Authority, calculated using the discount rate of 8.1 percent, as well as what the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.1 percent) or 1 percentage point higher (9.1 percent) than the current rate.

	December 31, 2016 1.0% Decrease 7.1%	Current Discount Rate 8.1%	1.0% Increase 9.1%
Total pension liability	$ 6,475,773	$ 5,719,320	$ 5,088,480
Fiduciary net position	6,073,699	6,074,459	6,073,699
Net pension liability (asset)	402,074	355,139	(985,219)

	December 31, 2015 1.0% Decrease 7.1%	Current Discount Rate 8.1%	1.0% Increase 9.1%
Total pension liability	$ 5,549,877	$ 4,870,215	$ 4,305,697
Fiduciary net position	5,071,480	5,072,238	5,071,480
Net pension liability (asset)	478,397	(202,023)	(765,783)

Note 8. Employee Retirement Plan (Continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separate issued TCDRS report.

Pension expense: the Authority recognized the following pension related expense (income):

Pension Expense (Income)	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Service cost	$ 636,083	$ 474,778
Interest on total pension liability (1)	417,633	361,003
Effect of plan changes	-	(33,691)
Administrative expenses	4,111	3,541
Member contributions	(211,078)	(180,742)
Expected investment return net of investment expenses	(435,573)	(405,263)
Recognition of deferred inflows/outflows of resources:		
Recognition of economic/demographic gains or losses	(33,798)	(16,806)
Recognition of assumption changes or inputs	4,671	4,671
Recognition of investment gains or losses	141,093	129,605
Other (2)	(46,648)	(1,713)
Pension expense	$ 476,494	$ 335,383

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) Relates to allocation of system-wide items.

Deferred inflows and outflows of resources: the deferred inflows and outflows of resources are as follows:

	June 30, 2016		June 30, 2015	
Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 286,449	$ 32,870	$ 172,017	$ 37,566
Changes of assumptions	-	32,698	-	37,369
Net difference between projected and actual earnings	-	418,615	-	502,268
Contributions made subsequent to measurement date	-	227,392	-	202,873

Note 8. Employee Retirement Plan (Continued)

Contributions made subsequent to the measurement date are eligible employer contributions made from January 1, 2016 through June 30, 2016. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Years ending December 31:	
2017	$ 111,966
2018	111,966
2019	95,815
2020	(17,639)
2021	(29,127)
Thereafter	(75,246)
	$ 197,735

The remaining balance to be recognized in future years (and included in the thereafter category), if any, will be impacted by additional future deferred inflows and outflows of resources.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/16 Expenses (1)	Balance of Deferred Inflows 12/31/2016	Balance of Deferred Outflows 12/31/2016
Investment (gains) losses	$ 57,439	12/31/2016	5 years	$ 11,488	$ -	$ 45,951
Investment (gains) losses	567,272	12/31/2015	5 years	113,454	-	340,363
Investment (gains) losses	80,751	12/31/2014	5 years	16,150	-	32,300
Economic/demographic (gains) or losses	(152,926)	12/31/2016	9 years	(16,992)	(135,934)	-
Economic/demographic (gains) or losses	(193,519)	12/31/2015	9 years	(21,502)	(150,515)	-
Economic/demographic (gains) or losses	46,958	12/31/2014	10 years	4,696	-	32,870
Assumption changes or inputs	-	12/31/2016	9 years	-	-	-
Assumption changes or inputs	42,041	12/31/2015	9 years	4,671	-	32,698
Assumption changes or inputs	-	12/31/2014	10 years	-	-	-
Employer contributions made subsequent to measurement date	202,873		-	-	-	227,392

(1) Investment losses are recognized in pension expense over a period of five years; economic/demographic losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive and retired members.

Note 9. Disaggregation of Receivable and Payable Balances

Due from other governments are comprised of current intergovernmental receivables and amounts due from other Texas tolling authorities related to toll tag transactions on the Authority's toll roads. The Authority does not issue toll tags; however, the Authority has contracted with TxDOT to handle customer service and operations related to the toll tag transactions at June 30, 2017 and 2016. Accounts payable balances are comprised of 100 percent current payables to contractors and vendors at June 30, 2017 and 2016.

As of June 30, 2017 and 2016, the receivable from TxDOT comprises approximately 82 percent and 98 percent, respectively, and the total balances are as follows:

	June 30	
	2017	**2016**
TxDOT	$ 13,983,903	$ 85,590,015
Other agencies	3,100,027	1,173,644
Total	$ 17,083,930	$ 86,763,659

Note 10. Commitments and Contingent Liabilities

Commitments: In May 2014, the Authority entered into a 10-year lease agreement for office space. The aggregate future minimum lease payments under the new lease are as follows:

Years ending December 31:	
2018	$ 347,163
2019	358,932
2020	370,700
2021	382,468
2022	394,236
Thereafter	336,703
	$ 2,190,202

The Authority's rental expense for fiscal year 2017 and 2016 totaled $544,164 and $411,359, respectively, which includes common area maintenance and property taxes.

The Authority has a capital improvement program for roadway construction projects extending into future years. As of June 30, 2017 and 2016, the Authority has a capital budget of approximately $1.209 billion and $1.202 billion, respectively, for future toll projects, which may or may not materialize. Including the US 183 South-Bergstrom Expressway, the Authority's contractual commitments related to its capital improvement plan are approximately $664.0 million and $654.0 million, respectively, for the years ended June 30, 2017 and 2016. All contracts contain a termination for convenience clause in which such contracts may be terminated, in whole or in part, for the convenience of the Authority.

Note 10. Commitments and Contingent Liabilities (Continued)

Litigation: As of June 30, 2017 and 2016, the Authority is involved in various contract disputes on its construction projects. Based on the status of the claims and the information available, the Authority believes that a liability has not been incurred as of the date of the financial statements. The Authority believes it has substantial defenses against these claims and the resolution of these matters will not have a material adverse effect on its financial statements.

Note 11. Subsequent Events

Subsequent events have been evaluated through September 26, 2017, the date the financial statements were available to be issued.

Central Texas Regional Mobility Authority

Required Supplementary Information—Pension Plan
Schedule of Changes in Net Pension Assets and Related Ratios
Years Ended December 31

	2016	2015	2014
Total pension liability:			
Service cost	$ 636,083	$ 474,778	$ 461,237
Interest on total pension liability	417,633	361,003	295,209
Effect of plan changes	-	(33,691)	-
Effect of assumption changes or inputs	-	42,041	-
Effect of economic/demographic (gains) or losses	(152,926)	(193,519)	46,943
Benefit payments/refunds of contributions	(51,685)	(2,211)	-
Net change in total pension liability	849,105	648,401	803,389
Total pension liability at beginning of year	4,870,215	4,221,814	3,418,425
Total pension liability at end of year (a)	5,719,320	4,870,215	4,221,814
Fiduciary net position:			
Employer contributions	422,157	361,493	327,807
Member contributions	211,078	180,742	163,979
Investment income net of investment expense	378,134	(162,009)	261,626
Benefit payments/refunds of contributions	(51,685)	(2,211)	-
Administrative expenses	(4,111)	(3,541)	(3,345)
Other	46,648	1,713	(242)
Net change in fiduciary net position	1,002,221	376,187	749,825
Fiduciary net position at beginning of year	5,072,238	4,696,051	3,946,226
Fiduciary net position at end of year (b)	6,074,459	5,072,238	4,696,051
Net pension asset at end of year = (a) - (b)	$ (355,139)	$ (202,023)	$ (474,237)
Fiduciary net position as a percentage of total pension liability	106.21%	104.15%	111.23%
Pensionable covered payroll	$ 3,015,395	$ 2,582,032	$ 2,342,556
Net pension liability (asset) as a percentage of covered payroll	(11.78%)	(7.82%)	(20.24%)

The Schedule of Changes in Net Pension Assets and related Ratio disclosure is required for 10 years. The schedule noted above is only for the years which the new GASB Statements have been implemented.

Central Texas Regional Mobility Authority

Required Supplementary Information—Pension Plan (Continued)
Schedule of Employer Contributions
June 30, 2017 and 2016

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
2007	$ 152,487	$ 152,487	$ -	$ 1,208,299	12.6%
2008	177,644	177,644	-	1,410,996	12.6%
2009	208,394	224,770	(16,376)	1,605,503	14.0%
2010	212,249	235,472	(23,222)	1,623,942	14.5%
2011	248,565	270,179	(21,614)	1,863,303	14.5%
2012	251,978	286,786	(34,811)	2,048,602	14.0%
2013	261,182	304,447	(43,266)	2,174,701	14.0%
2014	284,621	327,807	(43,187)	2,342,556	14.0%
2015	302,614	361,493	(58,879)	2,582,032	14.0%
2016	341,041	422,157	(81,115)	3,015,395	14.0%

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

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

Actuarial methods and assumptions used: Following are the key assumptions and methods used in these schedules:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual entry age normal cost method, as required by GASB Statement No. 68, used for GASB calculations. A slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Economic Assumptions	
Inflation	3.0 percent
Salary increases	4.9 percent (made up of 3.0 percent inflation and 0.5 percent productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4 percent per year for a career employee.
Investment rate of return	8.1 percent
COLAs	COLAs for the Authority are not considered to be substantively automatic under GASB Statement No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

Demographic assumptions—related to December 31, 2016 valuation:

Annual Rates of Service Retirement*

Retirement Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25%	25%
45-49	9	9	63	16	16
50	10	10	64	16	16
51	10	10	65	30	30
52	10.5	10.5	66	25	25
53	10.5	10.5	67	24	24
54	10.5	10.5	68	22	22
55	11	11	69	22	22
56	11	11	70	22	22
57	11	11	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	14	14	74 **	22	22
61	12	12			

* Deferred members are assumed to retire (100 percent probability) at the later of: a) age 60 b) earliest retirement eligibility. These assumption relate to the December 31, 2015 valuation.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other terminations of employment: The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are all set at 0 percent and the rates do not vary by length of service, entry-age group (age at hire), and sex. No termination after eligibility for retirement is assumed.

Withdrawals: Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in table below. For nondepositing members who are not vested, 100 percent are assumed to elect a withdrawal.

Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100	16	38
2	100	17	36
3	100	18	34
4	100	19	32
5	60	20	30
6	60	21	28
7	55	22	26
8	50	23	24
9	49	24	22
10	48	25	20
11	47	26	15
12	46	27	10
13	44	28*	5
14	42		

*Members with more than 28 years of service are not assumed to refund.

Central Texas Regional Mobility Authority

Supplemental Information—Indenture Cash Flow and Debt Service Coverage
June 30, 2017

Toll revenues		$ 75,651,364
Other revenues		1,355,008
Miscellaneous revenue		213,883
Interest income available to pay debt service		847,178
Total revenues		78,067,433
Less system operating expenses		(13,210,921)
Revenues available for rate covenant and additional bonds tests		64,856,512
Net senior lien debt service	$ 11,854,875	
Net subordinate lien debt service	9,754,950	
Total net debt service	21,609,825	
Debt service coverage ratio for rate covenant and additional bonds test:		
Senior lien obligations	5.47	
Senior and subordinate lien obligations	3.00	
Less system maintenance expenses		(3,347,970)
Revenues available for debt service		61,508,542
Senior lien obligations	5.19	
Senior and subordinate lien obligations	2.85	
Less total net debt service		(21,609,825)
Less deposits to renewal and replacement fund		-
Less debt service payments on other obligations		-
Annual excess		$ 39,898,717

* The HERO operating grant revenues are included in “Other Revenues” above as the corresponding expenses are included in “System Operating Expenses.”

RSM