MEETING OF THE AUDIT COMMITTEE
OF THE
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY

RESOLUTION NO. 16-070

ACCEPT THE INDEPENDENT AUDIT REPORTS BY PADGETT, STRATEMANN & CO., LLP, FOR THE FISCAL YEAR ENDING JUNE 30, 2016

WHEREAS, by Resolution No. 09-50 enacted July 31, 2009, the Board of Directors established the Audit Committee as a standing committee of the Board of Directors, consisting of all of the members of the Board of Directors; and

WHEREAS, under Resolution No. 09-50 and Section 101.036 of the Mobility Authority Policy Code, the Audit Committee is authorized to exercise all powers and authority of the Board of Directors with respect to Mobility Authority finances, and accordingly acts as, and on behalf of, the Board of Directors with respect to the matters addressed by this resolution; and

WHEREAS, the firm of Padgett, Stratemann & Co., LLP, has been engaged to provide an independent audit of the finances of the Central Texas Regional Mobility Authority for the fiscal year ending on June 30, 2016, and has presented that audit to the Audit Committee; and

WHEREAS, the Audit Committee has reviewed the "Basic Financial Statements", the "Basic Financial Statements & Federal Awards Compliance Report" and the "Basic Financial Statements & State Awards Compliance Report" prepared by Padgett, Stratemann & Co., LLP, attached respectively as <u>Exhibits A, B, and C</u> to this resolution, and has heard and considered the presentation on the audit by Padgett, Stratemann & Co., LLP.

NOW THEREFORE, BE IT RESOLVED, that the Audit Committee accepts the independent audit reports of the Central Texas Regional Mobility Authority for the fiscal year ending on June 30, 2016; and

BE IT FURTHER RESOLVED that this resolution constitutes approval by the Audit Committee of the investment reports required by 43 *Texas Administrative Code* Rule §26.61.

Adopted by the Audit Committee of the Board of Directors of the Central Texas Regional Mobility Authority on the 28th day of September, 2016.

Submitted and reviewed by:

Geoffrey Petrov, General Counsel

Approved:

Robert L. Bennett, Jr.
Chairman, Audit Committee

EXHIBIT A

Basic Financial Statements

Central Texas
Regional Mobility Authority

Basic Financial Statements

June 30, 2016 and 2015

Central Texas Regional Mobility Authority

Basic Financial Statements

June 30, 2016 and 2015

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PS&Co.

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Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Texas Regional Mobility Authority (the "Authority"), which comprise the Statements of Net Position as of June 30, 2016 and 2015, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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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, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 audits were 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 48 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.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
September 12, 2016

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial activities during the fiscal years that ended June 30, 2016 and 2015. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total toll revenue increased from $53.6 million to $64.3 million from 2015 to 2016 or a 20% increase.

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

- Total construction in progress was approximately $338.6 million and $139.1 million as of June 30, 2016 and 2015, respectively. Construction in progress increased by approximately $199.4 million from 2015 to 2016 in part due to progress made on the MoPac Improvement Project of approximately $46.0 million and start of the 183 South Project (collectively the "Projects") of approximately $145.0 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), 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 10 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 11 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 12 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 non-cash 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 13 of this report.

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 $466.8 million and $319.0 million as of June 30, 2016 and 2015, respectively (See Table A-1). As of June 30, 2016, the largest portion of the Authority's net position is expendable and reflects proceeds restricted for debt service. The second largest portion of net position, as of June 30, 2016, reflects its investment in capital assets (the Tolling System infrastructure and related assets) net of any outstanding debt used to acquire those assets. 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)

	2016	2015
Current assets	$ 143,984	$ 74,548
Restricted assets	492,946	252,971
Capital assets	1,084,996	892,639
Total assets	1,721,926	1,220,158
Deferred outflows of resources	91,656	18,080
Total assets and deferred outflows of resources	$ 1,813,582	$ 1,238,238
Total liabilities	$ 1,346,650	$ 919,161
Deferred inflows of resources	172	-
Total liabilities and deferred inflows of resources	1,346,822	919,161
Net position:		
Invested in capital assets	200,628	122,740
Restricted for other purposes	227,787	164,206
Unrestricted	38,345	32,131
Total net position	466,760	319,077
Total liabilities, deferred inflows of resources and net position	$ 1,813,582	$ 1,238,238

For fiscal year 2016, current and restricted assets increased as a result of the Authority's ongoing construction on the Projects. The Authority is expected to receive grant funds, bond, and loan proceeds to fund the Projects. As of June 30, 2016 and 2015, the Authority has received grant funds in advance and had recorded $50.9 million and $88.8 million of unearned grant revenue of the funding due to Projects.

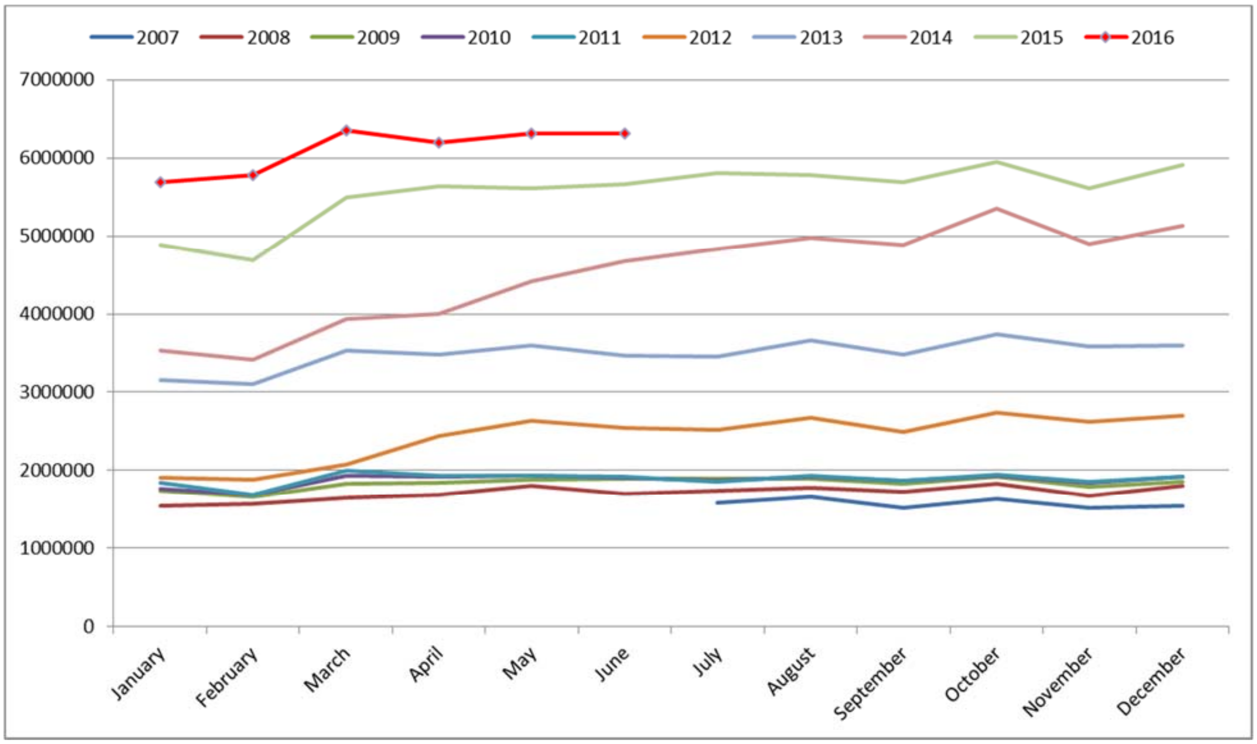
For fiscal year 2016 and 2015, excluding accumulated depreciation capital assets increased as a result of the ongoing construction and current period additions of approximately $214.0 million and $81.1 million, respectively, on the Projects.

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 and Highway 183A Toll). The average daily system transactions increased in 2016 from approximately 172 thousand per day to 198 thousand per day or from an annual total of approximately 45 million to 62 million.

The operating expenses increased by $3.1 million from 2015 to 2016. The increase is related to the increase in the number of tolling transactions which result in additional expenses for road maintenance, image and tag collection fees.

Total Monthly Tolling System Transactions



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

The largest contributor to the change in net position in 2016 is the capital grants and contributions. See Table A-2.

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

	2016	2015
Revenues:		
Toll revenue	$ 64,312	$ 53,592
Grant proceeds and other	1,486	2,222
Total revenues	65,798	55,814
Expenses:		
Administration	15,375	13,935
Professional services	3,924	2,754
Depreciation and amortization	21,692	21,233
Total expenses	40,991	37,922
Operating income	24,807	17,892
Total net nonoperating revenue (expenses)	(50,837)	(42,127)
Change in net position – before capital grants and contributions	(26,030)	(24,235)
Capital grants and contributions	173,714	55,357
Change in net position	147,684	31,122
Total net position at beginning of year	319,076	287,954
Total net position at end of year	$ 466,760	$ 319,076

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016 and 2015, the Authority had invested approximately $338.6 million and $139.1 million, respectively, in construction in progress, including engineering fees and preliminary costs, such as funding, consulting, environmental, legal, and traffic analysis fees. Of the $338.6 million of the construction in progress, the non-tolling system projects (projects other than Highway 290E and Highway 183A and 183 South toll) made up $167.0 million of the total. See Table A-3 and Note 3.

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

	2016	2015
Property and equipment	$ 11,848	$ 11,767
Toll road	837,774	823,229
Accumulated depreciation	(103,180)	(81,489)
Construction in progress	338,554	139,132
Net capital assets	$ 1,084,996	$ 892,639

Long-Term Debt

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

On June 1, 2016 Moody's Investors Service ("Moody's") affirmed the Baa2 senior lien revenue bond ratings of the Authority. Moody's rating outlook for the Authority is stable.

On June 1, 2016, Standard & Poor's ("Standard & Poor's") Ratings Services raised its long-term and underlying rating (SPUR) to "BBB+" from "BBB" on the Authority's outstanding senior lien revenue bonds.

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

	2016	2015
Total debt:		
Total bonds	$ 1,239,227	$ 787,833
Total notes and other obligations	5,300	7,030
Total debt outstanding	$ 1,244,527	$ 794,863
Total debt service payments:		
Principal payments	$ 6,905	$ 4,794
Interest payments	38,004	39,848

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

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

ECONOMIC FACTORS AFFECTING THE FUTURE

Effective August 9, 2016, the Authority issued bonds in the amount of $74.7 million to refund the Series 2011 Subordinate Lien Bonds. See Note 12, Subsequent Event, for further information.

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, 2016 and 2015

	2016	2015
CURRENT ASSETS		
UNRESTRICTED		
Cash and cash equivalents (note 2)	$ 714,088	$ 789,662
Investments (note 2)	682,683	681,177
Due from other agencies (note 9)	86,763,659	31,889,268
Accrued interest receivable	490,450	63,703
Prepaid expenses and other assets	107,601	23,130
TOTAL UNRESTRICTED	88,758,481	33,446,940
RESTRICTED		
Cash and cash equivalents (note 2)	55,225,460	41,100,854
TOTAL RESTRICTED	55,225,460	41,100,854
TOTAL CURRENT ASSETS	143,983,941	74,547,794
NONCURRENT ASSETS		
Restricted assets:		
Cash and cash equivalents (note 2)	269,711,004	217,166,362
Investments (note 2)	223,032,526	35,330,381
Pension asset (note 8)	202,023	474,237
Total restricted assets	492,945,553	252,970,980
Total capital assets – net (note 3)	1,084,996,036	892,639,079
TOTAL ASSETS	1,721,925,530	1,220,157,853
TOTAL DEFERRED OUTFLOWS OF RESOURCES (notes 5 and 8)	91,656,069	18,080,330
CURRENT LIABILITIES:		
PAYABLE FROM CURRRENT ASSETS		
Accounts payable	1,330,859	406,874
Due to other agencies	775,589	593,317
Accrued expenses	316,233	337,805
TOTAL PAYABLE FROM CURRENT ASSETS	2,422,681	1,337,996
PAYABLE FROM RESTRICTED ASSETS		
Accounts payable	29,254,281	14,337,815
Accrued interest payable	19,546,179	19,857,781
Bonds, notes payable, and other obligations – current portion (note 4)	6,425,000	6,905,258
TOTAL PAYABLE FROM RESTRICTED ASSETS	55,225,460	41,100,854
TOTAL CURRENT LIABILITIES	57,648,141	42,438,850
NONCURRENT LIABILITIES		
Unearned revenue	50,900,048	88,765,187
Notes payable and other obligations – net of current portion (note 4)	3,570,000	5,300,000
Revenue bonds payable – net of current portion (note 4)	1,234,531,635	782,657,697
TOTAL NONCURRENT LIABILITIES	1,289,001,683	876,722,884
TOTAL LIABILITIES	1,346,649,824	919,161,734
TOTAL DEFERRED INFLOWS OF RESOURCES (notes 5 and 8)	172,017	-
NET POSITION		
Investment in capital assets	200,627,568	122,739,839
Restricted	227,786,780	164,205,793
Unrestricted	38,345,410	32,130,817
TOTAL NET POSITION	$ 466,759,758	$ 319,076,449

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Tolls	$ 64,312,051	$ 53,591,649
Grant proceeds and other	1,486,310	2,222,384
Total operating revenues	65,798,361	55,814,033
Operating expenses:		
Salaries and wages	3,681,148	3,058,056
Toll contractual services	6,079,106	4,949,771
Professional services	3,924,298	2,754,282
General and administrative	5,615,089	5,927,196
Depreciation and amortization	21,691,703	21,232,500
Total operating expenses	40,991,344	37,921,805
Operating income	24,807,017	17,892,228
Nonoperating revenues (expenses):		
Interest income	486,637	403,746
Financing expense	(9,384,791)	(213,504)
Interest expense – net of interest capitalized	(41,939,306)	(42,316,763)
Total nonoperating revenue (expenses)	(50,837,460)	(42,126,521)
Change in net position before capital grants and contributions	(26,030,443)	(24,234,293)
Capital grants and contributions	173,713,752	55,356,993
Change in net position	147,683,309	31,122,700
Total net position at beginning of year	319,076,449	287,953,749
Total net position at end of year	$ 466,759,758	$ 319,076,449

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statements of Cash Flows

June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Receipts from toll fees	$ 64,876,236	$ 54,805,045
Receipts from grants and other income	1,486,310	2,222,384
Payments to vendors	(14,564,319)	(15,235,177)
Payments to employees	(3,819,516)	(3,100,566)
Net cash flows provided by operating activities	47,978,711	38,691,686
Cash Flows From Capital and Related Financing Activities		
Proceeds from notes payable and other obligations	11,454,088	-
Proceeds from senior lien revenue bonds	355,765,281	-
Payments on interest	(35,333,229)	(39,848,965)
Payments on bonds	(6,905,258)	(4,794,562)
Purchase of capital assets	(62,727)	-
Acquisitions of construction in progress	(199,069,851)	(77,977,200)
Payments on Travis County project	-	(12,073,766)
Proceeds from capital grants	80,410,037	102,330,315
Proceeds from contributed capital	-	13,000,000
Net cash flows provided by (used in) capital and related financing activities	206,258,341	(19,364,178)
Cash Flows From Investing Activities		
Interest income	59,890	454,056
Purchase of investments	(251,082,404)	(70,698,427)
Proceeds from sale or maturity of investments	63,379,136	100,390,050
Net cash flows provided by (used in) investing activities	(187,643,378)	30,145,679
Net increase in cash and cash equivalents	66,593,674	49,473,187
Cash and cash equivalents at beginning of year	259,056,878	209,583,691
Cash and cash equivalents at end of year	$ 325,650,552	$ 259,056,878
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities		
Operating income	$ 24,807,017	$ 17,892,228
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,691,703	21,232,500
Changes in assets and liabilities:		
Decrease in due from other agencies	564,185	1,263,706
Decrease (increase) in prepaid expenses and other assets	(84,471)	253,623
Increase (decrease) in accounts payable	923,985	(1,292,652)
Increase (decrease) in accrued expenses	160,700	(407,896)
Decrease in pension asset	272,214	-
Increase in deferred outflow of resources	(528,639)	(249,823)
Increase in deferred inflow of resources	172,017	-
Total adjustments	23,171,694	20,799,458
Net cash flows provided by operating activities	$ 47,978,711	$ 38,691,686
Reconciliation of Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	$ 714,088	$ 789,662
Restricted cash and cash equivalents:		
Current	55,225,460	41,100,854
Noncurrent	269,711,004	217,166,362
Total	$ 325,650,552	$ 259,056,878

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, grants, and rents from the operation of turnpike 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 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 they are incurred and depreciation of capital assets is recognized.

C. Cash, Cash Equivalents, and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These deposits are fully collateralized or covered by federal depository insurance.

Investments are reported at fair value based on pricing service modeling for fixed income securities and net asset values per share for investment in local government investment pools. 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, equipment, and infrastructure assets, are reported at cost. Capital assets acquired through contributions, such as those from developers or other governments, are recorded at estimated fair 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:

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 2016 or 2015.

F. Grants and Contributions – Revenues from contributions include cash contributions from other governments and right-of-way property that is restricted to meeting the operational or capital requirements of a particular program.

The Authority has entered into several grant agreements with the Texas Department of Transportation ("TxDOT") for construction costs using Highway Planning and Construction federal funding and certain state funding for transportation improvements. During the years ended June 30, 2016 and 2015, the Authority received approximately $173.0 million and $116.0 million, respectively, from TxDOT. The Authority does not recognize this funding as revenue when funds are received in advance of when the amounts are earned. Revenues from federal and state grants are recognized as earned when the related program expenses are incurred and all eligibility requirements have been met. As of June 30, 2016 and 2015, there was approximately $50.9 million and $88.8 million, respectively, of unearned grant revenue which is recorded as unearned revenue in the Statement of Net Position.

During the years ended June 30, 2016 and 2015, the Authority received grant revenue from contracts funded through federal and state governments. It is possible that at some time in the future these contracts could terminate or funding could be reduced. However, the Authority does not currently expect that these contracts will be terminated or funding will be reduced in the near future.

G. **Restricted Assets** – Certain proceeds of the Authority's bonds and grants, as well as certain other resources, are classified as restricted assets in the Statement of Net Position because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements. When the grant proceeds are restricted for the acquisition of construction of noncurrent assets or are restricted for liquidation of long-term debt, then 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.

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 state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay a rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.

I. **Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and 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 an 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.

K. Long-Term Obligations – Long term obligations are reported as liabilities in the statement of net position and consist of bond 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. 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/inflows of resources and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

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. Non Cash Disclosure –

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, called the Series 2016 Obligations. The refunding effected through the use of a portion of the proceeds of the Series 2015 Obligations and Series 2016 Obligations resulted in the following noncash transactions:

Payments to Escrow:	
- 2013B Senior Lien Bonds	$30.0 million
- 2010 Senior Lien Bonds	$51.0 million
- 2011 Senior Lien Bonds	$296.0 million
Issuance cost	$9.4 million
Deferred on refunding	$74.8 million

O. **Subsequent Events** – The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ended June 30, 2016 this date was September 12, 2016.

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.

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

The Authority has the following recurring fair value measurements as of June 30, 2016 and 2015:

As of June 30, 2016 and 2015, investments total of $207.4 million and $28.7 million, respectively, from U.S. Government agency securities and municipal bonds are valued using pricing service modeling (Level 2 inputs).

TexSTAR Investment Pool balances are valued at net asset value per share 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	2016	2015
Cash and cash equivalents	$ 325,650,552	$ 259,056,878
TexSTAR Investment Pool	16,290,848	7,300,174
United States government sponsored enterprises	204,921,478	28,711,384
Municipal Bonds	2,502,883	-
Total cash and investments	$ 549,365,761	$ 295,068,436
Unrestricted cash and cash equivalents	$ 714,088	$ 789,662
Unrestricted investments	682,683	681,177
Restricted cash and cash equivalents:		
Current	55,225,460	41,100,854
Noncurrent	269,711,004	217,166,362
Restricted investments	223,032,526	35,330,381
Total cash and cash equivalent and investments – as reported on the Statement of Net Position	$ 549,365,761	$ 295,068,436

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% 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 $319.3 million as of June 30, 2016.

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.

With regards to investment composition, the Authority's investment policy currently states that local government investment pools may not exceed 80% of the total investment portfolio less bond funds. Bond funds may be invested at 100% 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:

	2016	2015
TexSTAR Investment Pool	7.3%	20.3%
United States government sponsored enterprises	91.6%	79.7%
Municipal Bonds	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, 2016, the Authority's investments in debt securities mature as follows:

Investment Type	90 Days or Less	91 to 180	181 to 365	Greater than 365	Fair Value
	Investment Maturities (in Days)				
Federal HOME loan Bank DTD	$ -	$ 33,307,172	$ 17,021,525	$ 46,137,502	$ 96,466,199
Federal HOME Loan Corp DTD	-	-	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 DTD	-	-	8,000,590	39,974,019	47,974,609
Freddic Mac Callable DTD	-	-	-	9,838,850	9,838,850
Farmer MAC DTD	-	-	2,500,400	-	2,500,400
Total Govt. Sponsored Enterprise	-	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

As of June 30, 2015, all of the Authority's investments in debt securities mature within one year.

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.

Although TexSTAR is not registered with the SEC as an investment company, the Authority believes it operates as a Rule 2a7 like pool, as discussed in GASB Statement No. 59. As such, the Authority uses net asset value per share to report its investments.

The Chief Financial Officer of the Authority is the President of TexSTAR. The Authority has investments of $16.3 million and $7.3 million, respectively in TexSTAR as of June 30, 2016 and 2015.

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

3. Capital Assets

The following schedule summarizes the capital assets of the Authority as of June 30, 2016 and 2015.

	2015	Additions	Disposals	Transfers	2016
Non-Depreciable 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 Non-Depreciable Assets:	225,970,806	213,978,724	-	(14,545,611)	425,403,919
Depreciable Assets:					
Property and equipment	11,767,254	80,829	-	-	11,848,083
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)	14,545,611	762,772,528
Accumulated depreciation	(81,488,708)	(21,691,703)	-	-	(103,180,411)
Net property and equipment	$ 892,639,079	$ 192,367,850	$ (10,893)	$ -	$ 1,084,996,036

	2014	Additions	Disposals	Transfers	2015
Non-Depreciable Assets:					
Construction in Progress	$ 70,458,662	$ 80,933,654	$ -	$ (12,260,430)	$ 139,131,886.0
Right of way	85,152,005	-	-	1,686,915	86,838,920
Total Non-Depreciable Assets:	155,610,667	80,933,654	-	(10,573,515)	225,970,806
Depreciable Assets:					
Property and equipment	11,174,332	42,724	(32,692)	582,890	11,767,254
Toll road					
Building and toll facilities	7,073,225	-	-	-	7,073,225
Highways and bridges	664,681,779	137,935	-	9,551,275	674,370,989
Toll equipment	27,600,560	-	-	99,492	27,700,052
Signs	12,860,829	-	-	140,873	13,001,702
Land improvements	14,044,774	-	-	198,985	14,243,759
Total Depreciable Assets	737,435,499	180,659	(32,692)	10,573,515	748,156,981
Accumulated depreciation	(60,288,900)	(21,232,500)	32,692	-	(81,488,708)
Net property and equipment	$ 832,757,266	$ 59,881,813	$ -	$ -	$ 892,639,079

Construction in progress as of June 30, 2016 and 2015:

	2015	Additions	Disposals	Transfers	2016
Construction in progress:					
Preliminary costs	$ 132,514,987	$ 198,233,869	$ -	$ (13,657,862)	$ 317,090,994
Engineering	-	-	-	-	-
Construction	3,696,598	3,646,389	-	(818,444)	6,524,543
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

	2014	Additions	Disposals	Additions/ Transfers	2015
Construction in progress:					
Preliminary costs	$ 67,228,998	$ 74,164,915	$ -	$ (8,878,926)	$ 132,514,987
Engineering	10,249	(10,249)	-	-	-
Construction	1,540,456	4,254,445	-	(2,098,303)	3,696,598
Collection system	1,209,736	2,435,044	-	(1,282,987)	2,361,793
Capitalized interest	469,223	89,499	-	(214)	558,508
Net construction in progress	$ 70,458,662	$ 80,933,654	$ -	$ (12,260,430)	$ 139,131,886

Depreciation expense for the years ended June 30, 2016 and 2015 totaled $21,691,703 and $21,232,500, respectively. Capitalized interest for the period ending June 30, 2016 and 2015 is $9.6 million and
$558 thousand, net of interest earned on invested bond proceeds.

As of June 30, 2016 and 2015, the Authority has non-tolling system projects (projects other than Highway 290E, Highway 183A toll, and 183 South) construction in progress for the following projects:

	2016	2015
Construction in progress non-system projects:		
Mopac Improvement Project	$ 136,621,836	$ 92,460,056
Mopac South	9,233,160	7,592,455
183 N Mobility	6,996,455	5,383,442
SH 45 Southwest	9,644,284	2,953,564
290 West (Oak Hill)	2,801,420	1,956,167
Highway 71 (SH 71 Express)	1,401,230	844,150
	$ 166,698,385	$ 111,189,834

4. Notes and Bonds Payable

The following schedule summarizes total notes and bonds payable for the years ended June 30, 2016 and 2015:

	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 and obligations	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
TIFIA Obligation	-	51,130	-	51,130	-
SIB Obligation 2015	-	5,701,479	-	5,701,479	-
State Highway Fund Obligation 2015	-	5,701,479	-	5,701,479	
Series 2015 Obligations	-	367,575,000	-	367,575,000	-
Series 2015 Obligations	-	379,029,088	-	379,029,088	
Series 2016 Obligations	-	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 payable, and obligations	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 payable, and obligations – net	$ 794,862,955	$ 855,988,395	$ (406,324,715)	$ 1,244,526,635	$ 6,425,000

	2014	Additions/ Amortization	Deductions	2015	Due Within One Year
2011 Draw Down Note	$ 3,049,820	$ -	$ (1,319,562)	$ 1,730,258	$ 1,730,258
American Bank Note	5,300,000	-	-	5,300,000	-
Total notes	8,349,820	-	(1,319,562)	7,030,258	1,730,258
Series 2010 Obligations	94,879,710	-	(140,000)	94,739,710	-
Series 2010 CAB accretion	13,247,404	3,734,194	-	16,981,598	-
Total 2010 Bonds – net	108,127,114	3,734,194	(140,000)	111,721,308	-
Series 2011 Obligations	375,929,944	-	-	375,929,944	-
Series 2011 CAB accretion	2,050,998	705,232	-	2,756,230	-
Total 2011 Bonds – net	377,980,942	705,232	-	378,686,174	-
Series 2013 Obligations	288,420,000	-	(3,335,000)	285,085,000	5,175,000
Total 2013 Bonds – net	288,420,000	-	(3,335,000)	285,085,000	5,175,000
Total bonds payable	774,528,056	4,439,426	(3,475,000)	775,492,482	5,175,000
Total notes and bonds payable	782,877,876	4,439,426	(4,794,562)	782,522,740	6,905,258
Net (premium) discount on revenue bonds payable	15,517,745	-	(3,177,530)	12,340,215	-
Total notes and bonds payable – net	$ 798,395,621	$ 4,439,426	$ (7,972,092)	$ 794,862,955	$ 6,905,258

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.

The Series 2010 CIBs are scheduled to mature in 2017 through 2025. 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%. 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, 2016 and 2015, the outstanding principal amount was $8.5 million and $59.8 million, respectively.

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, 2016 and 2015. As of June 30, 2016 and 2015, the aggregate maturity amount is $34.9 million plus the accretion of $21.1 million and $17.0 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% to 7.85% 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, 2016 and 2015 is $21.1 million and $17.0 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% to 6.25%. 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, 2016 and 2015. As of June 30, 2016 and 2015, the aggregate maturity amount was $9.9 million plus the accretion of $3.5 million and $2.7 million, respectively.

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 5.9% to 6.5% 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, 2016 and 2015 was $3.5 million and $2.7 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.

The Series 2011 Subordinate Lien Revenue Bonds were issued as current interest bonds and are 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%. 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 and 2015, the outstanding principal amount was $70 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%. 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, 2016 and 2015, the outstanding principal amount was $147.9 million and $152.5 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% 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 million with a portion of the proceeds from the Series 2015B Senior Lien Revenue and Refunding Put Bonds. As of June 30, 2015, the outstanding principal amount was $30 million.

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%. 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, 2016 and 2015, the outstanding principal amount was $102.0 million and $102.5 million, respectively.

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 called 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%. Interest on the Series 2015A Bonds is payable on each July 1 and January 1, commencing January 1, 2016. As of June 30, 2016, the outstanding principal amount was $298.8 million.

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%. 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% 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, 2016, the outstanding principal amount was $68.8 million.

<u>2015C TIFIA Bond</u>. 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% 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.

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

<u>2015D SHF Bond</u>. In November 2015, the Authority entered into a secured loan agreement (the "SHF Loan Agreement")with the Texas Department of Transportation, 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% per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $5.7 million during fiscal year 2016 under the SHF Loan Agreement. The 2015D SHF Bond had an outstanding balance of $5.7 million as of June 30, 2016.

<u>2015E SIB Bond</u>. In November 2015, the Authority entered into a secured loan agreement (the "SIB Loan Agreement")with the Texas Department of Transportation, 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% per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $5.7 million during fiscal year 2016 under the SIB Loan Agreement. The 2015E SIB Bond had an outstanding balance of $5.7 million as of June 30, 2016.

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

The Series 2016 Obligations were issued as current interest bonds and are scheduled to mature in 2020 through 2046. Interest on the Series 2016 Obligations is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 3.375% to 5.000%. Interest on the Series 2016 Obligations is payable on each July 1 and January 1, commencing July 1, 2016. As of June 30, 2016, the outstanding principal amount was $358 million.

As a result of the Series 2010 and 2011 Senior Lien Bonds refunding noted above, the Authority will realize a total decrease of $62.2 million in debt service payments and total deferred outflows of resources of $74.8 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 $44.0 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 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%. 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 Authority did not receive loan proceeds under the 2011 Draw Down Note and the 2011 Drawn Down Note was repaid in full with principal and interest payments of $1.7 million.

During fiscal year 2015, the Authority did not receive loan proceeds under the 2011 Draw Down Note and made principal and interest payments of $1.3 million. The 2011 Draw Down Note had an outstanding balance of $1.7 million as of June 30, 2015.

<u>American Bank Note</u> – 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% 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 Authority received no loan proceeds during fiscal years 2016 and 2015 under the Loan. The Loan had an outstanding balance of $5.3 million as of June 30, 2016 and 2015.

<u>2015 Draw Down Note</u> – 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 million (the "2015 Draw Down Note").

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 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%. Certain funds of the Authority were collateral for the 2015 Draw Down Note.

__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, 2016 are as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 4,695,000	$ 46,021,334	$ -	$ -	$ 1,730,000	$ 119,250
2018	4,800,000	53,301,163	-	-	1,765,000	80,325
2019	5,715,000	53,061,163	-	-	1,805,000	40,613
2020	8,115,000	52,737,750	-	-	-	-
2021	22,770,000	52,151,688	-	12,130,056	-	-
2022-2026	92,565,955	246,401,688	9,999,944	13,245,968	-	-
2027-2031	155,586,743	218,662,438	6,674,032	43,144,194	-	-
2032-2036	216,646,390	173,069,688	14,325,806	46,640,916	-	-
2037-2041	289,335,000	111,658,438	9,109,084	38,089,212	-	-
2042-2046	265,290,000	39,237,500	4,890,788	141,120,290	-	-
	$ 1,065,519,088	$ 1,046,302,850	$ 44,999,654	$ 294,370,635	$ 5,300,000	$ 240,188

	Total Debt Service	
	Principal	Interest
2017	$ 6,425,000	$ 46,140,584
2018	6,565,000	53,381,488
2019	7,520,000	53,101,776
2020	8,115,000	52,737,750
2021	22,770,000	64,281,744
2022-2026	102,565,899	259,647,656
2027-2031	162,260,775	261,806,632
2032-2036	230,972,196	219,710,604
2037-2041	298,444,084	149,747,650
2042-2046	270,180,788	180,357,790
Total	1,115,818,742	$ 1,340,913,673
Accreted interest	24,578,938	
	$ 1,140,397,680	

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 $24,578,938.

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.

The Authority's deferred outflows of resource balance is composed of the following as of June 30:

	2016	2015
Deferred outflows from bond refundings	$ 90,875,992	$ 17,828,905
Employer pension contribution	202,873	144,576
Difference in pension investment assumption	502,269	64,600
Experience changes	37,566	42,249
Assumption changes	37,369	-
	$ 91,656,069	$ 18,080,330

The Authority's deferred inflow of resource balance is composed of the following as of June 30:

	2016	2015
Experience changes	$ 172,017	$ -

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, 2016 and 2015.

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 2016 and 2015.

8. Employee Retirement Plan

Plan Description – The Authority participates in TCDRS. 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.

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% and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7%, 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 of 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 purpose 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.

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

	2015	2014
Inactive employees or beneficiaries currently receiving benefits	1	-
Inactive employees entitled to, but not yet receiving benefits	9	5
Active employees	23	19
Total	33	24

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 2016 and 2015, the contribution rate for the plan members was 7% of gross pay. The Authority pays a matching portion to the pension plan totaling 14% of gross pay for 2016 and 2015, which totaled $389,889 and $314,786, respectively.

Net Pension Liability – The Authority's net pension liability was measured as of December 31, 2015 and 2014, 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, 2015 and 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2015	2014
Inflation	3.0%	3.0%
Salary Increases (including inflation plus average merit of 1.4% and productivity of 0.5% for 2015 and 2014)	4.9%	4.9%
Investment rate of return	8.1%	8.1%

Mortality rates were based on the following:

Depositing members – RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries, and nondepositing members – The RP-2000 Combined Mortality Table with the projection scale AA and then projected with 110% 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% 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, 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 & 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 + 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. (HFRI) Fund of Funds Composite Index	25.0%	5.3%

The capital market assumptions and information shown below are provided by TCDRS' investment consultant based on December 31, 2014 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	16.5%	5.4%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index **(3)**	12.0%	8.4%
Global Equities	MSCI World (net) Index	1.5%	5.7%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.0%	5.4%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.0%	6.4%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.0%	0.6%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.0%	3.8%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.0%	5.5%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.0%	5.8%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.0%	6.8%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.0%	4.0%
Commodities	Bloomberg Commodities Index	2.0%	(.02%)
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.0%	5.3%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index **(4)**	3.0%	7.2%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.0%	5.2%

(1) Target asset allocation adopted at the April 2016 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.6%, per investment consultant's 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% for both December 31, 2015 and 2014. 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.

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%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset) 2015

	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, 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	(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 (2)	-	1,713	(1,713)
Balances as of December 31, 2015	$ 4,870,215	$ 5,072,238	$ (202,023)

Changes in Net Pension Liability/(Asset) 2014

	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, 2013	$ 3,418,425	$ 3,946,226	$ (527,801)
Changes for the year:			
Service cost	461,237	-	461,237
Interest on total pension liability (1)	295,209	-	295,209
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	46,943	-	46,943
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(3,345)	3,345
Member contributions	-	163,979	(163,979)
Net investment income	-	261,626	(261,626)
Employer contributions	-	327,807	(327,807)
Other (2)	-	(242)	242
Balances as of December 31, 2014	$ 4,221,814	$ 4,696,051	$ (474,237)

(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.

<u>**Sensitivity Analysis**</u> – The following presents the net pension asset/liability of the Authority, calculated using the discount rate of 8.1%, 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%) or 1 percentage point higher (9.1%) than the current rate.

	December 31, 2015		
	1% Decrease	**Current Discount Rate**	**1% Increase**
	7.1%	**8.1%**	**9.1%**
Total pension liability	$ 5,549,877	$ 4,869,457	$ 4,305,697
Fiduciary net position	5,071,480	5,071,480	5,071,480
Net pension liability (asset)	478,397	(202,023)	(765,783)

	December 31, 2015		
	1% Decrease	Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	$ 4,682,906	$ 4,221,814	$ 3,816,408
Fiduciary net position	4,696,051	4,696,051	4,696,051
Net pension liability (asset)	(13,145)	(474,237)	(879,643)

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, 2015 to December 31, 2015	January 1, 2014 to December 31, 2014
Service cost	$ 474,778	$ 461,237
Interest on total pension liability (1)	361,003	295,209
Effect of plan changes	(33,691)	-
Administrative expenses	3,541	3,345
Member contributions	(180,742)	(163,979)
Expected investment return net of investment expenses	(405,263)	(342,377)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses	(16,806)	4,694
Recognition of assumption changes or inputs	4,671	-
Recognition of investment gains or losses	129,605	16,150
Other (2)	(1,713)	243
Pension expense	$ 335,383	$ 274,522

(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 – As of June 30, 2016 and 2015, the deferred inflows and outflows of resources are as follows:

	2015		2014	
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	$ 172,017	$ 37,566	$ -	$ 42,249
Changes of assumptions	-	37,369	-	-
Net difference between projected and actual earnings	-	502,268	-	64,600
Contributions made subsequent to measurement date	-	202,873	-	144,576

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:

Year ended December 31,	
2016	$ 117,470
2017	117,470
2018	117,470
2019	101,319
2020	(12,135)
Thereafter	(36,405)
	$ 405,189

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 12/31/15 Expenses (1)**	**Balance of Deferred Inflows 12/31/2015**	**Balance of Deferred Outflows 12/31/2015**
Investment (gains) losses	$ 567,272	12/31/2015	5	$ 113,454	$ -	$ 453,818
Investment (gains) losses	80,751	12/31/2014	5	16,150	-	48,451
Economic/demographic (gains) or losses	(193,519)	12/31/2015	9	(21,502)	(172,017)	-
Economic/demographic (gains) or losses	46,958	12/31/2014	10	4,696	-	37,566
Assumption changes or inputs	42,041	12/31/2015	9	4,671	-	37,369
Assumption changes or inputs	-	12/31/2014	10	-	-	-
Employer contributions made subsequent to measurement date	144,576		-	-	-	202,873

(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.

9. Disaggregation of Receivable and Payable Balances

Due from other agencies 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, 2016 and 2015. Accounts payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2016 and 2015.

As of June 30, 2016 and 2015, the receivable from TxDOT comprises approximately 98% and 94%, respectively, and the total balances are as follows:

	2016	2015
TxDOT	$ 85,590,015	$ 30,151,439
Other agencies	1,173,644	1,737,829
Total	$ 86,763,659	$ 31,889,268

10. Commitments and Contingent Liabilities

Commitments

On 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:

Year ended December 31,	
2017	$ 335,395
2018	347,163
2019	358,932
2020	370,700
2021	382,468
Thereafter	730,939
	$ 2,525,597

The Authority's rental expense for fiscal year 2016 and 2015 totaled $411,359 and $373,000, 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, 2016 and 2015, the Authority has a capital budget of approximately $1.202 billion and $1.095 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 $654 million and $221 million, respectively, for the years ended June 30, 2016 and 2015. 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.

Litigation

As of June 30, 2016 and 2015, 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 claims are for increased project costs relating to the MoPac Improvement Project and are approximately $70 million. 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.

11. Subsequent Events

On August 9, 2016, the Authority issued its Series 2016 subordinate Lien Revenue Refunding Bonds in the amount of $74.7 million to refund the Series 2011 Subordinate Lien bonds. Series 2016 Subordinate Lien Revenue Refunding Bonds were issued as current interest bonds, are scheduled to mature from 2018 to 2041, bear interest at rates ranging from 3.125% to 5.000%, and interest is payable on each January 1 and July 1.

Central Texas Regional Mobility Authority

Required Supplementary Information – Pension Plan

Schedule of Changes in Net Pension Assets and Related Ratios
Year Ended December 31, 2015 and 2014

	2015	2014
Total pension liability:		
Service cost	$ 474,778	$ 461,237
Interest on total pension liability	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	(193,519)	46,943
Benefit payments/refunds of contributions	(2,211)	-
Net change in total pension liability	648,401	803,389
Total pension liability at beginning of year	4,221,814	3,418,425
Total pension liability at end of year (a)	4,870,215	4,221,814
Fiduciary net position:		
Employer contributions	361,493	327,807
Member contributions	180,742	163,979
Investment income net of investment expense	(162,009)	261,626
Benefit payments/refunds of contributions	(2,211)	-
Administrative expenses	(3,541)	(3,345)
Other	1,713	(242)
Net change in fiduciary net position	376,187	749,825
Fiduciary net position at beginning of year	4,696,051	3,946,226
Fiduciary net position at end of year (b)	5,072,238	4,696,051
Net pension asset at end of year = (a) - (b)	$ (202,023)	$ (474,237)
Fiduciary net position as a percentage of total pension liability	104.15%	111.23%
Pensionable covered payroll	$ 2,582,032	$ 2,342,556
Net pension liability (asset) as a percentage of covered payroll	(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.

Schedule of Employer Contributions

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
2006	$ 129,061	$ 129,061	$ -	$ 945,504	13.6%
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)	1,862,303	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%

(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.

Notes to Schedule of Employer Contributions and Net Pension Liability

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%
Salary Increases	4.9% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.1%
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, 2015 Valuation

Retirement Age

Annual Rates of Service 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% 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.

<u>Other Terminations of Employment</u> — 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% 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% 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, 2016

Toll Revenues		$ 64,312,051
Other Revenues		1,435,089 *
Miscellaneous Revenue		51,221
Interest income available to pay debt service		486,637
Total Revenues		66,284,998
Less System Operating Expenses		(13,148,664)
Revenues available for rate covenant and additional bonds tests		53,136,334
Net Senior Lien Debt Service	$ 23,989,623	
Net Subordinate Lien Debt Service	10,351,500	
Total net debt service	34,341,123	
Debt service coverage ratio for rate covenant and additional bonds test		
Senior Lien Obligations	2.21	
Senior and Subordinate Lien Obligations	1.55	
Less System Maintenance Expenses		(2,766,056)
Revenues available for debt service		50,370,278
Debt service coverage ratios for Revenues available for debt service		
Senior Lien Obligations	2.10	
Senior and Subordinate Lien Obligations	1.47	
Less total net debt service		(34,341,123)
Less deposits to Renewal and Replacement Fund		-
Less debt service payments on Other Obligations		-
Annual excess		$ 16,029,155

* The HERO grant revenues are included in “Other Revenues” above as the corresponding expenses are included in “System Operating Expenses” and the amounts net to zero.

EXHIBIT B

Basic Financial Statements & Federal Awards Compliance Report

(Note: Refer to Exhibit A for Basic Financial Statements which have been omitted from the hard copy of this Exhibit B to avoid unnecessary printing of duplicative information. A full copy of each report has been presented to the Audit Committee and is available on the CTRMA website.)

Central Texas
Regional Mobility Authority

Basic Financial Statements and Federal Awards Compliance Reports

June 30, 2016

Central Texas Regional Mobility Authority

Basic Financial Statements and Federal Awards Compliance Report

June 30, 2016

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Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas Regional Mobility Authority (the "Authority"), which comprise the Statement of Net Position as of June 30, 2016, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards 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 12, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
September 12, 2016

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial activities during the fiscal years that ended June 30, 2016 and 2015. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total toll revenue increased from $53.6 million to $64.3 million from 2015 to 2016 or a 20% increase.

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

- Total construction in progress was approximately $338.6 million and $139.1 million as of June 30, 2016 and 2015, respectively. Construction in progress increased by approximately $199.4 million from 2015 to 2016 in part due to progress made on the MoPac Improvement Project of approximately $46.0 million and start of the 183 South Project (collectively the "Projects") of approximately $145.0 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), 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 11 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 12 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 13 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 non-cash 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 14 of this report.

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 $466.8 million and $319.0 million as of June 30, 2016 and 2015, respectively (See Table A-1). As of June 30, 2016, the largest portion of the Authority's net position is expendable and reflects proceeds restricted for debt service. The second largest portion of net position, as of June 30, 2016, reflects its investment in capital assets (the Tolling System infrastructure and related assets) net of any outstanding debt used to acquire those assets. 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)

	2016	2015
Current assets	$ 143,984	$ 74,548
Restricted assets	492,946	252,971
Capital assets	1,084,996	892,639
Total assets	1,721,926	1,220,158
Deferred outflows of resources	91,656	18,080
Total assets and deferred outflows of resources	$ 1,813,582	$ 1,238,238
Total liabilities	$ 1,346,650	$ 919,161
Deferred inflows of resources	172	-
Total liabilities and deferred inflows of resources	1,346,822	919,161
Net position:		
Invested in capital assets	200,628	122,740
Restricted for other purposes	227,787	164,206
Unrestricted	38,345	32,131
Total net position	466,760	319,077
Total liabilities, deferred inflows of resources and net position	$ 1,813,582	$ 1,238,238

For fiscal year 2016, current and restricted assets increased as a result of the Authority's ongoing construction on the Projects. The Authority is expected to receive grant funds, bond, and loan proceeds to fund the Projects. As of June 30, 2016 and 2015, the Authority has received grant funds in advance and had recorded $50.9 million and $88.8 million of unearned grant revenue of the funding due to Projects.

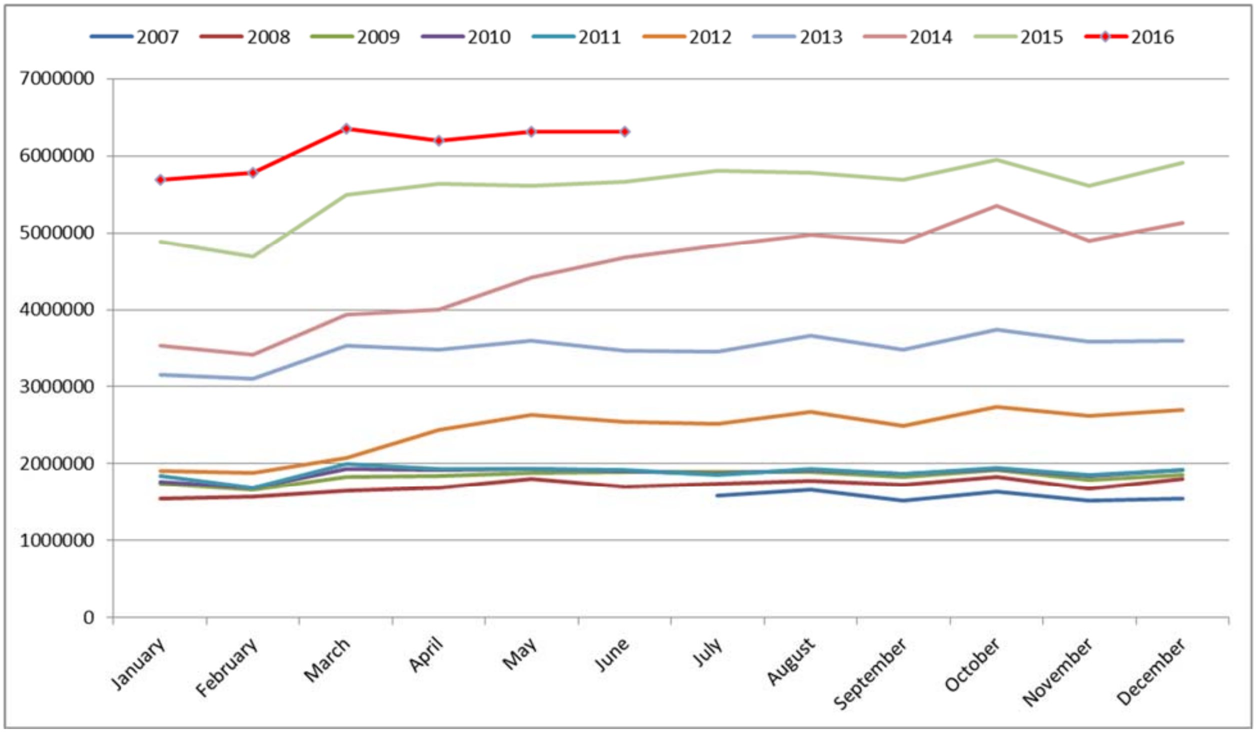
For fiscal year 2016 and 2015, excluding accumulated depreciation capital assets increased as a result of the ongoing construction and current period additions of approximately $214.0 million and $81.1 million, respectively, on the Projects.

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 and Highway 183A Toll). The average daily system transactions increased in 2016 from approximately 172 thousand per day to 198 thousand per day or from an annual total of approximately 45 million to 62 million.

The operating expenses increased by $3.1 million from 2015 to 2016. The increase is related to the increase in the number of tolling transactions which result in additional expenses for road maintenance, image and tag collection fees.

Total Monthly Tolling System Transactions



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

The largest contributor to the change in net position in 2016 is the capital grants and contributions. See Table A-2.

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

	2016	2015
Revenues:		
Toll revenue	$ 64,312	$ 53,592
Grant proceeds and other	1,486	2,222
Total revenues	65,798	55,814
Expenses:		
Administration	15,375	13,935
Professional services	3,924	2,754
Depreciation and amortization	21,692	21,233
Total expenses	40,991	37,922
Operating income	24,807	17,892
Total net nonoperating revenue (expenses)	(50,837)	(42,127)
Change in net position – before capital grants and contributions	(26,030)	(24,235)
Capital grants and contributions	173,714	55,357
Change in net position	147,684	31,122
Total net position at beginning of year	319,076	287,954
Total net position at end of year	$ 466,760	$ 319,076

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016 and 2015, the Authority had invested approximately $338.6 million and $139.1 million, respectively, in construction in progress, including engineering fees and preliminary costs, such as funding, consulting, environmental, legal, and traffic analysis fees. Of the $338.6 million of the construction in progress, the non-tolling system projects (projects other than Highway 290E and Highway 183A and 183 South toll) made up $167.0 million of the total. See Table A-3 and Note 3.

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

	2016	2015
Property and equipment	$ 11,848	$ 11,767
Toll road	837,774	823,229
Accumulated depreciation	(103,180)	(81,489)
Construction in progress	338,554	139,132
Net capital assets	$ 1,084,996	$ 892,639

Long-Term Debt

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

On June 1, 2016 Moody's Investors Service ("Moody's") affirmed the Baa2 senior lien revenue bond ratings of the Authority. Moody's rating outlook for the Authority is stable.

On June 1, 2016, Standard & Poor's ("Standard & Poor's") Ratings Services raised its long-term and underlying rating (SPUR) to "BBB+" from "BBB" on the Authority's outstanding senior lien revenue bonds.

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

	2016	2015
Total debt:		
Total bonds	$ 1,239,227	$ 787,833
Total notes and other obligations	5,300	7,030
Total debt outstanding	$ 1,244,527	$ 794,863

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

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

ECONOMIC FACTORS AFFECTING THE FUTURE

Effective August 9, 2016, the Authority issued bonds in the amount of $74.7 million to refund the Series 2011 Subordinate Lien Bonds. See Note 12, Subsequent Event, for further information.

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

Statement of Net Position

June 30, 2016

CURRENT ASSETS	
UNRESTRICTED	
Cash and cash equivalents (note 2)	$ 714,088
Investments (note 2)	682,683
Due from other agencies (note 9)	86,763,659
Accrued interest receivable	490,450
Prepaid expenses and other assets	107,601
TOTAL UNRESTRICTED	88,758,481
RESTRICTED	
Cash and cash equivalents (note 2)	55,225,460
TOTAL RESTRICTED	55,225,460
TOTAL CURRENT ASSETS	143,983,941
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents (note 2)	269,711,004
Investments (note 2)	223,032,526
Pension asset (note 8)	202,023
Total restricted assets	492,945,553
Total capital assets – net (note 3)	1,084,996,036
TOTAL ASSETS	1,721,925,530
TOTAL DEFERRED OUTFLOWS OF RESOURCES (notes 5 and 8)	91,656,069
CURRENT LIABILITIES:	
PAYABLE FROM CURRRENT ASSETS	
Accounts payable	1,330,859
Due to other agencies	775,589
Accrued expenses	316,233
TOTAL PAYABLE FROM CURRENT ASSETS	2,422,681
PAYABLE FROM RESTRICTED ASSETS	
Accounts payable	29,254,281
Accrued interest payable	19,546,179
Bonds, notes payable, and other obligations – current portion (note 4)	6,425,000
TOTAL PAYABLE FROM RESTRICTED ASSETS	55,225,460
TOTAL CURRENT LIABILITIES	57,648,141
NONCURRENT LIABILITIES	
Unearned revenue	50,900,048
Notes payable and other obligations – net of current portion (note 4)	3,570,000
Revenue bonds payable – net of current portion (note 4)	1,234,531,635
TOTAL NONCURRENT LIABILITIES	1,289,001,683
TOTAL LIABILITIES	1,346,649,824
TOTAL DEFERRED INFLOWS OF RESOURCES (notes 5 and 8)	172,017
NET POSITION	
Investment in capital assets	200,627,568
Restricted	227,786,780
Unrestricted	38,345,410
TOTAL NET POSITION	$ 466,759,758

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

Operating revenues:	
Tolls	$ 64,312,051
Grant proceeds and other	1,486,310
Total operating revenues	65,798,361
Operating expenses:	
Salaries and wages	3,681,148
Toll contractual services	6,079,106
Professional services	3,924,298
General and administrative	5,615,089
Depreciation and amortization	21,691,703
Total operating expenses	40,991,344
Operating income	24,807,017
Nonoperating revenues (expenses):	
Interest income	486,637
Financing expense	(9,384,791)
Interest expense – net of interest capitalized	(41,939,306)
Total nonoperating revenue (expenses)	(50,837,460)
Change in net position, before capital grants and contributions	(26,030,443)
Capital grants and contributions	173,713,752
Change in net position	147,683,309
Total net position at beginning of year	319,076,449
Total net position at end of year	$ 466,759,758

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Cash Flows

Year Ended June 30, 2016

Cash Flows From Operating Activities	
Receipts from toll fees	$ 64,876,236
Receipts from grants and other income	1,486,310
Payments to vendors	(14,564,319)
Payments to employees	(3,819,516)
Net cash flows provided by operating activities	47,978,711
Cash Flows From Capital and Related Financing Activities	
Proceeds from notes payable and other obligations	11,454,088
Proceeds from senior lien revenue bonds	355,765,281
Payments on interest	(35,333,229)
Payments on bonds	(6,905,258)
Purchase of capital assets	(62,727)
Acquisitions of construction in progress	(199,069,851)
Proceeds from capital grants	80,410,037
Net cash flows provided by capital and related financing activities	206,258,341
Cash Flows From Investing Activities	
Interest income	59,890
Purchase of investments	(251,082,404)
Proceeds from sale or maturity of investments	63,379,136
Net cash flows used in investing activities	(187,643,378)
Net increase in cash and cash equivalents	66,593,674
Cash and cash equivalents at beginning of year	259,056,878
Cash and cash equivalents at end of year	$ 325,650,552
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities	
Operating income	$ 24,807,017
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	21,691,703
Changes in assets and liabilities:	
Decrease in due from other agencies	564,185
Decrease (increase) in prepaid expenses and other assets	(84,471)
Increase (decrease) in accounts payable	923,985
Increase (decrease) in accrued expenses	160,700
Decrease in pension asset	272,214
Increase in deferred outflow of resources	(528,639)
Increase in deferred inflow of resources	172,017
Total adjustments	23,171,694
Net cash flows provided by operating activities	$ 47,978,711
Reconciliation of Cash and Cash Equivalents	
Unrestricted cash and cash equivalents	$ 714,088
Restricted cash and cash equivalents:	
Current	55,225,460
Noncurrent	269,711,004
Total	$ 325,650,552

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, grants, and rents from the operation of turnpike 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 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 they are incurred and depreciation of capital assets is recognized.

C. Cash, Cash Equivalents, and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These deposits are fully collateralized or covered by federal depository insurance.

Investments are reported at fair value based on pricing service modeling for fixed income securities and net asset values per share for investment in local government investment pools. 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, equipment, and infrastructure assets, are reported at cost. Capital assets acquired through contributions, such as those from developers or other governments, are recorded at estimated fair 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:

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 2016.

F. Grants and Contributions – Revenues from contributions include cash contributions from other governments and right-of-way property that is restricted to meeting the operational or capital requirements of a particular program.

The Authority has entered into several grant agreements with the Texas Department of Transportation ("TxDOT") for construction costs using Highway Planning and Construction federal funding and certain state funding for transportation improvements. During the year ended June 30, 2016, the Authority received approximately $173.0 million from TxDOT. The Authority does not recognize this funding as revenue when funds are received in advance of when the amounts are earned. Revenues from federal and state grants are recognized as earned when the related program expenses are incurred and all eligibility requirements have been met. As of June 30, 2016, there was approximately $50.9 million of unearned grant revenue which is recorded as unearned revenue in the Statement of Net Position.

During the year ended June 30, 2016, the Authority received grant revenue from contracts funded through federal and state governments. It is possible that at some time in the future these contracts could terminate or funding could be reduced. However, the Authority does not currently expect that these contracts will be terminated or funding will be reduced in the near future.

G. **Restricted Assets** – Certain proceeds of the Authority's bonds and grants, as well as certain other resources, are classified as restricted assets in the Statement of Net Position because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements. When the grant proceeds are restricted for the acquisition of construction of noncurrent assets or are restricted for liquidation of long-term debt, then 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.

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 state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay a rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.

I. **Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and 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 an 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.

K. **Long-Term Obligations –** Long-term obligations are reported as liabilities in the statement of net position and consist of bond 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. 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/inflows of resources and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

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. **Non Cash Disclosure –**

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, called the Series 2016 Obligations. The refunding effected through the use of a portion of the proceeds of the Series 2015 Obligations and Series 2016 Obligations resulted in the following noncash transactions:

Payments to Escrow:	
- 2013B Senior Lien Bonds	$30.0 million
- 2010 Senior Lien Bonds	$51.0 million
- 2011 Senior Lien Bonds	$296.0 million
Issuance cost	$9.4 million
Deferred on refunding	$74.8 million

O. Subsequent Events – The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ended June 30, 2016 this date was September 12, 2016.

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.

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

The Authority has the following recurring fair value measurements as of June 30, 2016:

As of June 30, 2016, investments total of $207.4 million from U.S. Government agency securities and municipal bonds are valued using pricing service modeling (Level 2 inputs).

TexSTAR Investment Pool balances are valued at net asset value per share which does not require categorization under GASB No. 72, *Fair Value Measurements and Application*.

The Authority had the following investments as of June 30, 2016:

Summary of Investments by Type	Amount
Cash and cash equivalents	$ 325,650,552
TexSTAR Investment Pool	16,290,848
United States government sponsored enterprises	204,921,478
Municipal Bonds	2,502,883
Total cash and investments	$ 549,365,761
Unrestricted cash and cash equivalents	$ 714,088
Unrestricted investments	682,683
Restricted cash and cash equivalents:	
Current	55,225,460
Noncurrent	269,711,004
Restricted investments	223,032,526
Total cash and cash equivalent and investments – as reported on the Statement of Net Position	$ 549,365,761

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% 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 $319.3 million as of June 30, 2016.

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.

With regards to investment composition, the Authority's investment policy currently states that local government investment pools may not exceed 80% of the total investment portfolio less bond funds. Bond funds may be invested at 100% 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, 2016:

TexSTAR Investment Pool	7.3%
United States government sponsored enterprises	91.6%
Municipal Bonds	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, 2016, the Authority's investments in debt securities mature as follows:

	Investment Maturities (in Days)				
Investment Type	90 Days or Less	91 to 180	181 to 365	Greater than 365	Fair Value
Federal HOME loan Bank DTD	$ -	$ 33,307,172	$ 17,021,525	$ 46,137,502	$ 96,466,199
Federal HOME Loan Corp DTD	-	-	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 DTD	-	-	8,000,590	39,974,019	47,974,609
Freddic Mac Callable DTD	-	-	-	9,838,850	9,838,850
Farmer MAC DTD	-	-	2,500,400	-	2,500,400
Total Govt. Sponsored Enterprise	-	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.

Although TexSTAR is not registered with the SEC as an investment company, the Authority believes it operates as a Rule 2a7 like pool, as discussed in GASB Statement No. 59. As such, the Authority uses net asset value per share to report its investments.

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

3. Capital Assets

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

	2015	Additions	Disposals	Transfers	2016
Non-Depreciable 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 Non-Depreciable Assets:	225,970,806	213,978,724	-	(14,545,611)	425,403,919
Depreciable Assets:					
Property and equipment	11,767,254	80,829		-	11,848,083
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)	14,545,611	762,772,528
Accumulated depreciation	(81,488,708)	(21,691,703)	-	-	(103,180,411)
Net property and equipment	$ 892,639,079	$ 192,367,850	$ (10,893)	$ -	$ 1,084,996,036

Construction in progress as of June 30, 2016:

	2015	Additions	Disposals	Transfers	2016
Construction in progress:					
Preliminary costs	$ 132,514,987	$ 198,233,869	$ -	$ (13,657,862)	$ 317,090,994
Engineering	-	-	-	-	-
Construction	3,696,598	3,646,389	-	(818,444)	6,524,543
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 year ended June 30, 2016 totaled $21,691,703. Capitalized interest for the period ending June 30, 2016 is $9.6 million net of interest earned on invested bond proceeds.

As of June 30, 2016, the Authority has non-tolling system projects (projects other than Highway 290E, Highway 183A toll and 183 South) construction in progress for the following projects:

Construction in progress non-system projects:	
Mopac Improvement Project	$ 136,621,836
Mopac South	9,233,160
183 N Mobility	6,996,455
SH 45 Southwest	9,644,284
290 West (Oak Hill)	2,801,420
Highway 71 (SH 71 Express)	1,401,230
	$ 166,698,385

4. Notes and Bonds Payable

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

	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 and obligations	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
TIFIA Obligation	-	51,130	-	51,130	-
SIB Obligation 2015	-	5,701,479	-	5,701,479	-
State Highway Fund Obligation 2015	-	5,701,479	-	5,701,479	
Series 2015 Obligations	-	367,575,000	-	367,575,000	-
Total 2015 Obligations	-	379,029,088	-	379,029,088	-
Series 2016 Obligations	-	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 payable, and obligations	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 payable, and obligations – net	$ 794,862,955	$ 855,988,395	$ (406,324,715)	$ 1,244,526,635	$ 6,425,000

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.

The Series 2010 CIBs are scheduled to mature in 2017 through 2025. 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%. 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, 2016 and 2015, the outstanding principal amount was $8.5 million and $59.8 million, respectively.

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, 2016 and 2015. As of June 30, 2016 and 2015, the aggregate maturity amount is $34.9 million plus the accretion of $21.1 million and $17.0 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% to 7.85% 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, 2016 and 2015 is $21.1 million and $17.0 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% to 6.25%. 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, 2016 and 2015. As of June 30, 2016 and 2015, the aggregate maturity amount was $9.9 million plus the accretion of $3.5 million and $2.7 million, respectively.

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 5.9% to 6.5% 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, 2016 and 2015 was $3.5 million and $2.7 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.

The Series 2011 Subordinate Lien Revenue Bonds were issued as current interest bonds and are 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%. 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 and 2015, the outstanding principal amount was $70 million.

<u>Series 2013 Obligations</u> – 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%. 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, 2016 and 2015, the outstanding principal amount was $147.9 million and $152.5 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% 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 million with a portion of the proceeds from the Series 2015B Senior Lien Revenue and Refunding Put Bonds. As of June 30, 2015, the outstanding principal amount was $30 million.

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%. 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, 2016 and 2015, the outstanding principal amount was $102.0 million and $102.5 million, respectively.

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 called 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%. Interest on the Series 2015A Bonds is payable on each July 1 and January 1, commencing January 1, 2016. As of June 30, 2016, the outstanding principal amount was $298.8 million.

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%. 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% 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, 2016, the outstanding principal amount was $68.8 million.

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% 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.

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

2015D SHF Bond – In November 2015, the Authority entered into a secured loan agreement (the "SHF Loan Agreement") with the Texas Department of Transportation, 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% per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $5.7 million during fiscal year 2016 under the SHF Loan Agreement. The 2015D SHF Bond had an outstanding balance of $5.7 million as of June 30, 2016.

2015E SIB Bond – In November 2015, the Authority entered into a secured loan agreement (the "SIB Loan Agreement")with the Texas Department of Transportation, 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% per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $5.7 million during fiscal year 2016 under the SIB Loan Agreement. The 2015E SIB Bond had an outstanding balance of $5.7 million as of June 30, 2016.

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

The Series 2016 Obligations were issued as current interest bonds and are scheduled to mature in 2020 through 2046. Interest on the Series 2016 Obligations is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 3.375% to 5.000%. Interest on the Series 2016 Obligations is payable on each July 1 and January 1, commencing July 1, 2016. As of June 30, 2016, the outstanding principal amount was $358 million.

As a result of the Series 2010 and 2011 Senior Lien Bonds refunding noted above, the Authority will realize a total decrease of $62.2 million in debt service payments and total deferred outflows of resources of $74.8 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 $44.0 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 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%. 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 Authority did not receive loan proceeds under the 2011 Draw Down Note and the 2011 Drawn Down Note was repaid in full with principal and interest payments of $1.7 million.

During fiscal year 2015, the Authority did not receive loan proceeds under the 2011 Draw Down Note and made principal and interest payments of $1.3 million. The 2011 Draw Down Note had an outstanding balance of $1.7 million as of June 30, 2015.

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% 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 Authority received no loan proceeds during fiscal years 2016 and 2015 under the Loan. The Loan had an outstanding balance of $5.3 million as of June 30, 2016 and 2015.

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 million (the "2015 Draw Down Note").

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 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%. Certain funds of the Authority were collateral for the 2015 Draw Down Note.

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, 2016 are as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Notes Payable	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2017	$ 4,695,000	$ 46,021,334	$ -	$ -	$ 1,730,000	$ 119,250
2018	4,800,000	53,301,163	-	-	1,765,000	80,325
2019	5,715,000	53,061,163	-	-	1,805,000	40,613
2020	8,115,000	52,737,750	-	-	-	-
2021	22,770,000	52,151,688	-	12,130,056	-	-
2022-2026	92,565,955	246,401,688	9,999,944	13,245,968	-	-
2027-2031	155,586,743	218,662,438	6,674,032	43,144,194	-	-
2032-2036	216,646,390	173,069,688	14,325,806	46,640,916	-	-
2037-2041	289,335,000	111,658,438	9,109,084	38,089,212	-	-
2042-2046	265,290,000	39,237,500	4,890,788	141,120,290	-	-
	$ 1,065,519,088	$ 1,046,302,850	$ 44,999,654	$ 294,370,635	$ 5,300,000	$ 240,188

	Total Debt Service	
	Principal	**Interest**
2017	$ 6,425,000	$ 46,140,584
2018	6,565,000	53,381,488
2019	7,520,000	53,101,776
2020	8,115,000	52,737,750
2021	22,770,000	64,281,744
2022-2026	102,565,899	259,647,656
2027-2031	162,260,775	261,806,632
2032-2036	230,972,196	219,710,604
2037-2041	298,444,084	149,747,650
2042-2046	270,180,788	180,357,790
Total	1,115,818,742	$ 1,340,913,673
Accreted interest	24,578,938	
	$ 1,140,397,680	

As described above, the Series 2010 CABs and the Series 2011 CABs were issued as capital appreciation bonds. The accreted interest on the CABs is reflected on the Statement of Net Position as additional principal and is reflected in the interest column in this table in the amount of $24,578,938.

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.

The Authority's deferred outflows of resource balance is composed of the following as of June 30, 2016:

Deferred outflows from bond refundings	$ 90,875,992
Employer pension contribution	202,873
Difference in pension investment assumption	502,269
Experience changes	37,566
Assumption changes	37,369
	$ 91,656,069

The Authority's deferred inflow of resource balance is composed of the following as of June 30, 2016:

Experience changes	$ 172,017

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, 2016.

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 year 2016.

8. Employee Retirement Plan

Plan Description – The Authority participates in TCDRS. 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.

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% and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7%, 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 of 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 purpose 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.

Employees Covered by Benefit Terms –The following employees were covered by the benefit terms as of the valuation date December 31, 2015:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to, but not yet receiving benefits	9
Active employees	23
Total	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 2016, the contribution rate for the plan members was 7% of gross pay. The Authority pays a matching portion to the pension plan totaling 14% of gross pay for 2016, which totaled $389,889.

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

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

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

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

Mortality rates were based on the following:

Depositing members – RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries, and nondepositing members – The RP-2000 Combined Mortality Table with the projection scale AA and then projected with 110% 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% 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, 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 & 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 + 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. (HFRI) Fund of Funds Composite Index	25.0%	5.3%

(1) Target asset allocation adopted at the April 2016 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.6%, per investment consultant's 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% for both December 31, 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.

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%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset) 2015

	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, 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	(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 (2)	-	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) 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%, 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%) or 1 percentage point higher (9.1%) than the current rate.

	December 31, 2015		
	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	$ 5,549,877	$ 4,869,457	$ 4,305,697
Fiduciary net position	5,071,480	5,071,480	5,071,480
Net pension liability (asset)	478,397	(202,023)	(765,783)

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, 2015 to December 31, 2015
Service cost	$ 474,778
Interest on total pension liability (1)	361,003
Effect of plan changes	(33,691)
Administrative expenses	3,541
Member contributions	(180,742)
Expected investment return net of investment expenses	(405,263)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(16,806)
Recognition of assumption changes or inputs	4,671
Recognition of investment gains or losses	129,605
Other (2)	(1,713)
Pension expense	$ 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 – As of June 30, 2016, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	2015 Deferred Inflows of Resources	2015 Deferred Outflows of Resources
Differences between expected and actual experience	$ 172,017	$ 37,566
Changes of assumptions	-	37,369
Net difference between projected and actual earnings	-	502,268
Contributions made subsequent to measurement date	-	202,873

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:

Year ended December 31,	
2016	$ 117,470
2017	117,470
2018	117,470
2019	101,319
2020	(12,135)
Thereafter	(36,405)
	$ 405,189

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 12/31/15 Expenses (1)	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
Investment (gains) losses	$ 567,272	12/31/2015	5	$ 113,454	$ -	$ 453,818
Investment (gains) losses	80,751	12/31/2014	5	16,150	-	48,451
Economic/demographic (gains) or losses	(193,519)	12/31/2015	9	(21,502)	(172,017)	-
Economic/demographic (gains) or losses	46,958	12/31/2014	10	4,696	-	37,566
Assumption changes or inputs	42,041	12/31/2015	9	4,671	-	37,369
Assumption changes or inputs	-	12/31/2014	10	-	-	-
Employer contributions made subsequent to measurement date	144,576		-	-	-	202,873

(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.

9. Disaggregation of Receivable and Payable Balances

Due from other agencies 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, 2016. Accounts payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2016.

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

TxDOT	$ 85,590,015
Other agencies	1,173,644
Total	$ 86,763,659

10. Commitments and Contingent Liabilities

Commitments

On 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:

Year ended December 31,	
2017	$ 335,395
2018	347,163
2019	358,932
2020	370,700
2021	382,468
Thereafter	730,939
	$ 2,525,597

The Authority's rental expense for fiscal year 2016 totaled $411,359, 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, 2016, the Authority has a capital budget of approximately $1.202 billion 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 $654 million for the year ended June 30, 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.

Litigation
As of June 30, 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 claims are for increased project costs relating to the MoPac Improvement Project and are approximately $70 million. 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.

11. Subsequent Events

On August 9, 2016, the Authority issued its Series 2016 Subordinate Lien Revenue Refunding Bonds in the amount of $74.7 million to refund the Series 2011 Subordinate Lien Bonds. Series 2016 Subordinate Lien Revenue Refunding Bonds were issued as current interest bonds, are scheduled to mature on dates ranging from 2018 to 2041, bear interest at rates ranging from 3.125% to 5.000%, and interest is payable on each January 1 and July 1, commencing January 1, 2017.

Schedule of Changes in Net Pension Assets and Related Ratios
Year Ended December 31

	2015	2014
Total pension liability:		
Service cost	$ 474,778	$ 461,237
Interest on total pension liability	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	(193,519)	46,943
Benefit payments/refunds of contributions	(2,211)	-
Net change in total pension liability	648,401	803,389
Total pension liability at beginning of year	4,221,814	3,418,425
Total pension liability at end of year (a)	4,870,215	4,221,814
Fiduciary net position:		
Employer contributions	361,493	327,807
Member contributions	180,742	163,979
Investment income net of investment expense	(162,009)	261,626
Benefit payments/refunds of contributions	(2,211)	-
Administrative expenses	(3,541)	(3,345)
Other	1,713	(242)
Net change in fiduciary net position	376,187	749,825
Fiduciary net position at beginning of year	4,696,051	3,946,226
Fiduciary net position at end of year (b)	5,072,238	4,696,051
Net pension asset at end of year = (a) - (b)	$ (202,023)	$ (474,237)
Fiduciary net position as a percentage of total pension liability	104.15%	111.23%
Pensionable covered payroll	$ 2,582,032	$ 2,342,556
Net pension liability (asset) as a percentage of covered payroll	(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.

Schedule of Employer Contributions

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
2006	$ 129,061	$ 129,061	$ -	$ 945,504	13.6%
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)	1,862,303	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%

(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.

Notes to Schedule of Employer Contributions and Net Pension Liability

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%
Salary Increases	4.9% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.1%
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, 2015 Valuation

Retirement Age

Annual Rates of Service 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% 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% 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% 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.

Federal Awards Section

PS&Co.

Padgett Stratemann

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

We have audited, 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, the financial statements of Central Texas Regional Mobility Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 12, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

Padgett, Stratemann & Co., L.L.P.

Austin, Texas
September 12, 2016

PS&Co.

Padgett Stratemann

Independent Auditor's Report on Compliance For the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on Compliance for a Major Federal Program

We have audited Central Texas Regional Mobility Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
September 12, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

2. Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None Reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	$ 3,000,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

B. Financial Statement Findings

None reported

C. Federal Award Finding and Questioned Costs

None reported

Central Texas Regional Mobility Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Grantor/Program Title	Federal CFDA Number	Grant Award Number	Federal Expenditures
Highway Planning and Construction Cluster			
United States Department of Transportation:			
Highway Planning and Construction – Multi Project Toll	20.205	CSJ 3136-01-107	$ 34,532,111
Highway Planning and Construction – 183 N Project	20.205	CSJ 0151-05-102	1,215,302
Highway Planning and Construction – 183S Project	20.205	CSJ 0151-09-036; 0151-09-127; 0265-01-080	129,338,119
Highway Planning and Construction – 290W Project	20.205	0113-08-060	702,631
Highway Planning and Construction – HERO Project	20.205	CSJ 0914-00-358; 0914-00-361	1,349,106
Highway Planning and Construction – SH 71 Project	20.205	CSJ 0265-01-110	556,911
Total Highway Planning and Construction Cluster			167,694,180
Highway Research and Development – Ridesharing	20.200	CSJ 0914-00-373	85,983
Total Federal Expenditures			$ 167,780,163

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the activity of all federal programs administered by Central Texas Regional Mobility Authority (the “Authority”). The Authority’s organization is defined in Note 1 of the Authority’s basic financial statements. Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Authority.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 1 of the Authority’s basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local and Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. In accordance with the Uniform Guidance, the Authority did not apply or use the elected 10% de minimis cost rate as defined by the Uniform Guidance for the period ending June 30, 2016.

2. Relationship to Federal Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of the Authority’s financial statements.

EXHIBIT C

Basic Financial Statements & State Awards Compliance Report

(Note: Refer to Exhibit A for Basic Financial Statements which have been omitted from the hard copy of this Exhibit C to avoid unnecessary printing of duplicative information. A full copy of each report has been presented to the Audit Committee and is available on the CTRMA website.)

Central Texas Regional Mobility Authority

Basic Financial Statements and State Awards Compliance Reports

June 30, 2016

Central Texas Regional Mobility Authority

Basic Financial Statements and State Awards Compliance Report

June 30, 2016

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Independent Auditor's Report

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Central Texas Regional Mobility Authority (the "Authority"), which comprise the Statement of Net Position as of June 30, 2016, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 the Governmental Standards Accounting Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of State Awards, as required by the State of Texas Uniform Grant Management Standards ("UGMS") and Audit Requirements for State Awards, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of State Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Awards 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 12, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
September 12, 2016

This section of the Central Texas Regional Mobility Authority (the "Authority") financial report presents our discussion and analysis of the Authority's financial activities during the fiscal years that ended June 30, 2016 and 2015. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total toll revenue increased from $53.6 million to $64.3 million from 2015 to 2016 or a 20% increase.

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

- Total construction in progress was approximately $338.6 million and $139.1 million as of June 30, 2016 and 2015, respectively. Construction in progress increased by approximately $199.4 million from 2015 to 2016 in part due to progress made on the MoPac Improvement Project of approximately $46.0 million and start of the 183 South Project (collectively the "Projects") of approximately $145.0 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts: management's discussion and analysis (this section), 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 11 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 12 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 13 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 non-cash 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 14 of this report.

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 $466.8 million and $319.0 million as of June 30, 2016 and 2015, respectively (See Table A-1). As of June 30, 2016, the largest portion of the Authority's net position is expendable and reflects proceeds restricted for debt service. The second largest portion of net position, as of June 30, 2016, reflects its investment in capital assets (the Tolling System infrastructure and related assets) net of any outstanding debt used to acquire those assets. 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)

	2016	2015
Current assets	$ 143,984	$ 74,548
Restricted assets	492,946	252,971
Capital assets	1,084,996	892,639
Total assets	1,721,926	1,220,158
Deferred outflows of resources	91,656	18,080
Total assets and deferred outflows of resources	$ 1,813,582	$ 1,238,238
Total liabilities	$ 1,346,650	$ 919,161
Deferred inflows of resources	172	-
Total liabilities and deferred inflows of resources	1,346,822	919,161
Net position:		
Invested in capital assets	200,628	122,740
Restricted for other purposes	227,787	164,206
Unrestricted	38,345	32,131
Total net position	466,760	319,077
Total liabilities, deferred inflows of resources and net position	$ 1,813,582	$ 1,238,238

For fiscal year 2016, current and restricted assets increased as a result of the Authority's ongoing construction on the Projects. The Authority is expected to receive grant funds, bond, and loan proceeds to fund the Projects. As of June 30, 2016 and 2015, the Authority has received grant funds in advance and had recorded $50.9 million and $88.8 million of unearned grant revenue of the funding due to Projects.

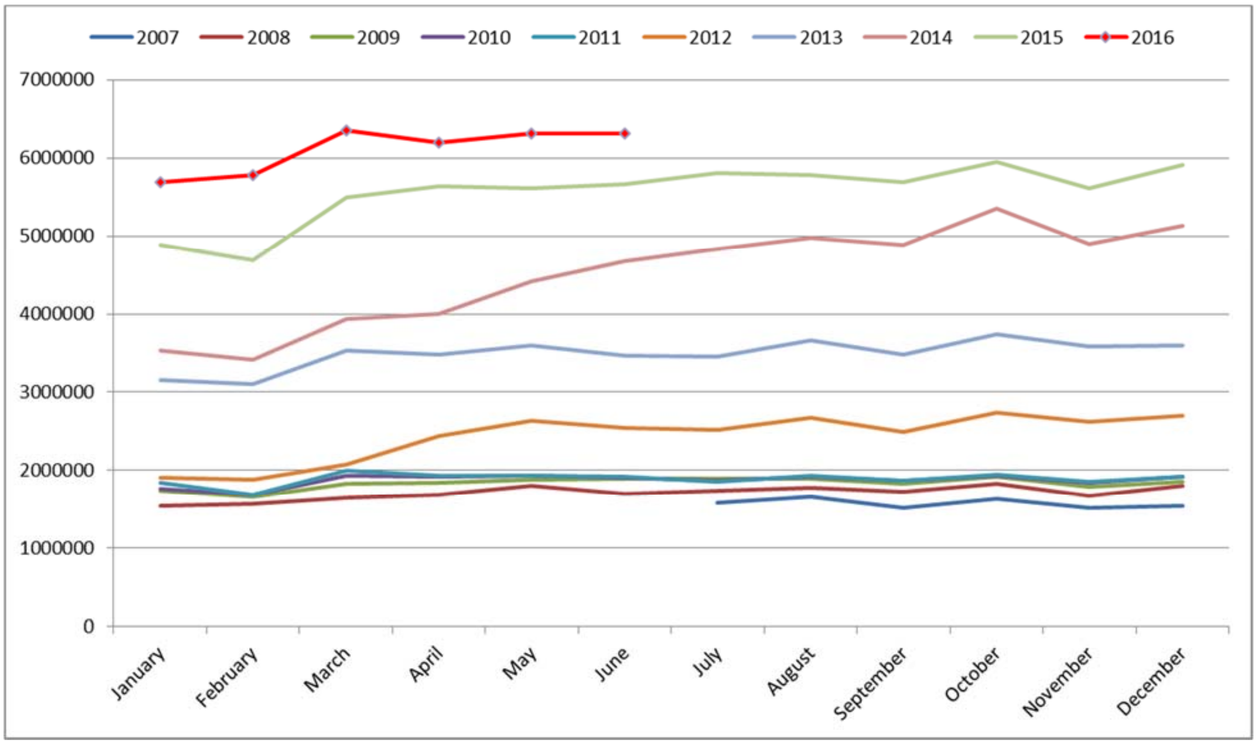
For fiscal year 2016 and 2015, excluding accumulated depreciation capital assets increased as a result of the ongoing construction and current period additions of approximately $214.0 million and $81.1 million, respectively, on the Projects.

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 and Highway 183A Toll). The average daily system transactions increased in 2016 from approximately 172 thousand per day to 198 thousand per day or from an annual total of approximately 45 million to 62 million.

The operating expenses increased by $3.1 million from 2015 to 2016. The increase is related to the increase in the number of tolling transactions which result in additional expenses for road maintenance, image and tag collection fees.

Total Monthly Tolling System Transactions



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

The largest contributor to the change in net position in 2016 is the capital grants and contributions. See Table A-2.

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

	2016	2015
Revenues:		
Toll revenue	$ 64,312	$ 53,592
Grant proceeds and other	1,486	2,222
Total revenues	65,798	55,814
Expenses:		
Administration	15,375	13,935
Professional services	3,924	2,754
Depreciation and amortization	21,692	21,233
Total expenses	40,991	37,922
Operating income	24,807	17,892
Total net nonoperating revenue (expenses)	(50,837)	(42,127)
Change in net position – before capital grants and contributions	(26,030)	(24,235)
Capital grants and contributions	173,714	55,357
Change in net position	147,684	31,122
Total net position at beginning of year	319,076	287,954
Total net position at end of year	$ 466,760	$ 319,076

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016 and 2015, the Authority had invested approximately $338.6 million and $139.1 million, respectively, in construction in progress, including engineering fees and preliminary costs, such as funding, consulting, environmental, legal, and traffic analysis fees. Of the $338.6 million of the construction in progress, the non-tolling system projects (projects other than Highway 290E and Highway 183A and 183 South toll) made up $167.0 million of the total. See Table A-3 and Note 3.

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

	2016	2015
Property and equipment	$ 11,848	$ 11,767
Toll road	837,774	823,229
Accumulated depreciation	(103,180)	(81,489)
Construction in progress	338,554	139,132
Net capital assets	$ 1,084,996	$ 892,639

Long-Term Debt

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

On June 1, 2016 Moody's Investors Service ("Moody's") affirmed the Baa2 senior lien revenue bond ratings of the Authority. Moody's rating outlook for the Authority is stable.

On June 1, 2016, Standard & Poor's ("Standard & Poor's") Ratings Services raised its long-term and underlying rating (SPUR) to "BBB+" from "BBB" on the Authority's outstanding senior lien revenue bonds.

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

	2016	2015
Total debt:		
Total bonds	$ 1,239,227	$ 787,833
Total notes and other obligations	5,300	7,030
Total debt outstanding	$ 1,244,527	$ 794,863
Total debt service payments:		
Principal payments	$ 6,905	$ 4,794
Interest payments	38,004	39,848

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

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

ECONOMIC FACTORS AFFECTING THE FUTURE

Effective August 9, 2016, the Authority issued bonds in the amount of $74.7 million to refund the Series 2011 Subordinate Lien Bonds. See Note 12, Subsequent Event, for further information.

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

Statement of Net Position

June 30, 2016

CURRENT ASSETS	
UNRESTRICTED	
Cash and cash equivalents (note 2)	$ 714,088
Investments (note 2)	682,683
Due from other agencies (note 9)	86,763,659
Accrued interest receivable	490,450
Prepaid expenses and other assets	107,601
TOTAL UNRESTRICTED	88,758,481
RESTRICTED	
Cash and cash equivalents (note 2)	55,225,460
TOTAL RESTRICTED	55,225,460
TOTAL CURRENT ASSETS	143,983,941
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents (note 2)	269,711,004
Investments (note 2)	223,032,526
Pension asset (note 8)	202,023
Total restricted assets	492,945,553
Total capital assets – net (note 3)	1,084,996,036
TOTAL ASSETS	1,721,925,530
TOTAL DEFERRED OUTFLOWS OF RESOURCES (notes 5 and 8)	91,656,069
CURRENT LIABILITIES:	
PAYABLE FROM CURRRENT ASSETS	
Accounts payable	1,330,859
Due to other agencies	775,589
Accrued expenses	316,233
TOTAL PAYABLE FROM CURRENT ASSETS	2,422,681
PAYABLE FROM RESTRICTED ASSETS	
Accounts payable	29,254,281
Accrued interest payable	19,546,179
Bonds, notes payable, and other obligations – current portion (note 4)	6,425,000
TOTAL PAYABLE FROM RESTRICTED ASSETS	55,225,460
TOTAL CURRENT LIABILITIES	57,648,141
NONCURRENT LIABILITIES	
Unearned revenue	50,900,048
Notes payable and other obligations – net of current portion (note 4)	3,570,000
Revenue bonds payable – net of current portion (note 4)	1,234,531,635
TOTAL NONCURRENT LIABILITIES	1,289,001,683
TOTAL LIABILITIES	1,346,649,824
TOTAL DEFERRED INFLOWS OF RESOURCES (notes 5 and 8)	172,017
NET POSITION	
Investment in capital assets	200,627,568
Restricted	227,786,780
Unrestricted	38,345,410
TOTAL NET POSITION	$ 466,759,758

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

Operating revenues:	
Tolls	$ 64,312,051
Grant proceeds and other	1,486,310
Total operating revenues	65,798,361
Operating expenses:	
Salaries and wages	3,681,148
Toll contractual services	6,079,106
Professional services	3,924,298
General and administrative	5,615,089
Depreciation and amortization	21,691,703
Total operating expenses	40,991,344
Operating income	24,807,017
Nonoperating revenues (expenses):	
Interest income	486,637
Financing expense	(9,384,791)
Interest expense – net of interest capitalized	(41,939,306)
Total nonoperating revenue (expenses)	(50,837,460)
Change in net position, before capital grants and contributions	(26,030,443)
Capital grants and contributions	173,713,752
Change in net position	147,683,309
Total net position at beginning of year	319,076,449
Total net position at end of year	$ 466,759,758

See accompanying notes to the financial statements.

Central Texas Regional Mobility Authority

Statement of Cash Flows

Year Ended June 30, 2016

Cash Flows From Operating Activities	
Receipts from toll fees	$ 64,876,236
Receipts from grants and other income	1,486,310
Payments to vendors	(14,564,319)
Payments to employees	(3,819,516)
Net cash flows provided by operating activities	47,978,711
Cash Flows From Capital and Related Financing Activities	
Proceeds from notes payable and other obligations	11,454,088
Proceeds from senior lien revenue bonds	355,765,281
Payments on interest	(35,333,229)
Payments on bonds	(6,905,258)
Purchase of capital assets	(62,727)
Acquisitions of construction in progress	(199,069,851)
Proceeds from capital grants	80,410,037
Net cash flows provided by capital and related financing activities	206,258,341
Cash Flows From Investing Activities	
Interest income	59,890
Purchase of investments	(251,082,404)
Proceeds from sale or maturity of investments	63,379,136
Net cash flows used in investing activities	(187,643,378)
Net increase in cash and cash equivalents	66,593,674
Cash and cash equivalents at beginning of year	259,056,878
Cash and cash equivalents at end of year	$ 325,650,552
Reconciliation of Change in Net Assets to Net Cash Provided By Operating Activities	
Operating income	$ 24,807,017
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	21,691,703
Changes in assets and liabilities:	
Decrease in due from other agencies	564,185
Decrease (increase) in prepaid expenses and other assets	(84,471)
Increase (decrease) in accounts payable	923,985
Increase (decrease) in accrued expenses	160,700
Decrease in pension asset	272,214
Increase in deferred outflow of resources	(528,639)
Increase in deferred inflow of resources	172,017
Total adjustments	23,171,694
Net cash flows provided by operating activities	$ 47,978,711
Reconciliation of Cash and Cash Equivalents	
Unrestricted cash and cash equivalents	$ 714,088
Restricted cash and cash equivalents:	
Current	55,225,460
Noncurrent	269,711,004
Total	$ 325,650,552

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, grants, and rents from the operation of turnpike 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 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 they are incurred and depreciation of capital assets is recognized.

C. Cash, Cash Equivalents, and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These deposits are fully collateralized or covered by federal depository insurance.

Investments are reported at fair value based on pricing service modeling for fixed income securities and net asset values per share for investment in local government investment pools. 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, equipment, and infrastructure assets, are reported at cost. Capital assets acquired through contributions, such as those from developers or other governments, are recorded at estimated fair 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:

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 2016.

F. Grants and Contributions – Revenues from contributions include cash contributions from other governments and right-of-way property that is restricted to meeting the operational or capital requirements of a particular program.

The Authority has entered into several grant agreements with the Texas Department of Transportation ("TxDOT") for construction costs using Highway Planning and Construction federal funding and certain state funding for transportation improvements. During the year ended June 30, 2016, the Authority received approximately $173.0 million from TxDOT. The Authority does not recognize this funding as revenue when funds are received in advance of when the amounts are earned. Revenues from federal and state grants are recognized as earned when the related program expenses are incurred and all eligibility requirements have been met. As of June 30, 2016, there was approximately $50.9 million of unearned grant revenue which is recorded as unearned revenue in the Statement of Net Position.

During the year ended June 30, 2016, the Authority received grant revenue from contracts funded through federal and state governments. It is possible that at some time in the future these contracts could terminate or funding could be reduced. However, the Authority does not currently expect that these contracts will be terminated or funding will be reduced in the near future.

G. **Restricted Assets** – Certain proceeds of the Authority's bonds and grants, as well as certain other resources, are classified as restricted assets in the Statement of Net Position because they are maintained in separate investment accounts and their use is limited by applicable bond covenants and grant agreements. When the grant proceeds are restricted for the acquisition of construction of noncurrent assets or are restricted for liquidation of long-term debt, then 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.

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 state or federal income taxes. Bond obligations issued by state and local governments are tax-exempt only if the issuers pay a rebate to the federal government of the earnings on the investment of the proceeds of a tax-exempt issue in excess of the yield on such obligations and any income earned on such excess.

I. **Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and 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 an 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.

K. Long-Term Obligations – Long term obligations are reported as liabilities in the statement of net position and consist of bond 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. 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/inflows of resources and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

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. Non Cash Disclosure –

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, called the Series 2016 Obligations. The refunding effected through the use of a portion of the proceeds of the Series 2015 Obligations and Series 2016 Obligations resulted in the following noncash transactions:

Payments to Escrow:	
- 2013B Senior Lien Bonds	$30.0 million
- 2010 Senior Lien Bonds	$51.0 million
- 2011 Senior Lien Bonds	$296.0 million
Issuance cost	$9.4 million
Deferred on refunding	$74.8 million

O. **Subsequent Events** – The Authority evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Authority's financial statements are issued. For the financial statements as of and for the year ended June 30, 2016 this date was September 12, 2016.

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.

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

The Authority has the following recurring fair value measurements as of June 30, 2016:

As of June 30, 2016, investments total of $207.4 million from U.S. Government agency securities and municipal bonds are valued using pricing service modeling (Level 2 inputs).

TexSTAR Investment Pool balances are valued at net asset value per share which does not require categorization under GASB No. 72, *Fair Value Measurements and Application*.

The Authority had the following investments as of June 30, 2016:

Summary of Investments by Type	
Cash and cash equivalents	$ 325,650,552
TexSTAR Investment Pool	16,290,848
United States government sponsored enterprises	204,921,478
Municipal Bonds	2,502,883
Total cash and investments	$ 549,365,761
Unrestricted cash and cash equivalents	$ 714,088
Unrestricted investments	682,683
Restricted cash and cash equivalents:	
Current	55,225,460
Noncurrent	269,711,004
Restricted investments	223,032,526
Total cash and cash equivalent and investments – as reported on the Statement of Net Position	$ 549,365,761

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% 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 $319.3 million as of June 30, 2016.

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.

With regards to investment composition, the Authority's investment policy currently states that local government investment pools may not exceed 80% of the total investment portfolio less bond funds. Bond funds may be invested at 100% 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, 2016:

TexSTAR Investment Pool	7.3%
United States government sponsored enterprises	91.6%
Municipal Bonds	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, 2016, the Authority's investments in debt securities mature as follows:

	Investment Maturities (in Days)				
Investment Type	90 Days or Less	91 to 180	181 to 365	Greater than 365	Fair Value
Federal HOME loan Bank DTD	$ -	$ 33,307,172	$ 17,021,525	$ 46,137,502	$ 96,466,199
Federal HOME Loan Corp DTD	-	-	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 DTD	-	-	8,000,590	39,974,019	47,974,609
Freddic Mac Callable DTD	-	-	-	9,838,850	9,838,850
Farmer MAC DTD	-	-	2,500,400	-	2,500,400
Total Govt. Sponsored Enterprise	-	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.

Although TexSTAR is not registered with the SEC as an investment company, the Authority believes it operates as a Rule 2a7 like pool, as discussed in GASB Statement No. 59. As such, the Authority uses net asset value per share to report its investments.

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

3. Capital Assets

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

	2015	Additions	Disposals	Transfers	2016
Non-Depreciable 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 Non-Depreciable Assets:	225,970,806	213,978,724	-	(14,545,611)	425,403,919
Depreciable Assets:					
Property and equipment	11,767,254	80,829	-	-	11,848,083
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)	14,545,611	762,772,528
Accumulated depreciation	(81,488,708)	(21,691,703)	-	-	(103,180,411)
Net property and equipment	$ 892,639,079	$ 192,367,850	$ (10,893)	$ -	$ 1,084,996,036

Construction in progress as of June 30, 2016:

	2015	Additions	Disposals	Transfers	2016
Construction in progress:					
Preliminary costs	$ 132,514,987	$ 198,233,869	$ -	$ (13,657,862)	$ 317,090,994
Engineering	-	-	-	-	-
Construction	3,696,598	3,646,389	-	(818,444)	6,524,543
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 year ended June 30, 2016 totaled $21,691,703. Capitalized interest for the period ending June 30, 2016 is $9.6 million net of interest earned on invested bond proceeds.

As of June 30, 2016, the Authority has non-tolling system projects (projects other than Highway 290E, Highway 183A toll, and 183 South) construction in progress for the following projects:

Construction in progress non-system projects:	
Mopac Improvement Project	$ 136,621,836
Mopac South	9,233,160
183 N Mobility	6,996,455
SH 45 Southwest	9,644,284
290 West (Oak Hill)	2,801,420
Highway 71 (SH 71 Express)	1,401,230
	$ 166,698,385

4. Notes and Bonds Payable

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

	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 and obligations	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 Obligation	-	51,130	-	51,130	
SIB Obligation 2015	-	5,701,479	-	5,701,479	
State Highway Fund Obligation 2015	-	5,701,479	-	5,701,479	
Series 2015 Obligations	-	367,575,000	-	367,575,000	-
Total 2015 Obligations	-	379,029,088	-	379,029,088	-
Series 2016 Obligations	-	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 payable, and obligations	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 payable, and obligations – net	$ 794,862,955	$ 855,988,395	$ (406,324,715)	$ 1,244,526,635	$ 6,425,000

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.

The Series 2010 CIBs are scheduled to mature in 2017 through 2025. 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%. 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, 2016 and 2015, the outstanding principal amount was $8.5 million and $59.8 million, respectively.

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, 2016 and 2015. As of June 30, 2016 and 2015, the aggregate maturity amount is $34.9 million plus the accretion of $21.1 million and $17.0 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% to 7.85% 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, 2016 and 2015 is $21.1 million and $17.0 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% to 6.25%. 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, 2016 and 2015. As of June 30, 2016 and 2015, the aggregate maturity amount was $9.9 million plus the accretion of $3.5 million and $2.7 million, respectively.

Interest on the Series 2011 CABs will accrete from the date of initial delivery to stated maturity at rates ranging from 5.9% to 6.5% 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, 2016 and 2015 was $3.5 million and $2.7 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.

The Series 2011 Subordinate Lien Revenue Bonds were issued as current interest bonds and are 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%. 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 and 2015, the outstanding principal amount was $70 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%. 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, 2016 and 2015, the outstanding principal amount was $147.9 million and $152.5 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% 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 million with a portion of the proceeds from the Series 2015B Senior Lien Revenue and Refunding Put Bonds. As of June 30, 2015, the outstanding principal amount was $30 million.

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%. 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, 2016 and 2015, the outstanding principal amount was $102.0 million and $102.5 million, respectively.

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 called 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%. Interest on the Series 2015A Bonds is payable on each July 1 and January 1, commencing January 1, 2016. As of June 30, 2016, the outstanding principal amount was $298.8 million.

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%. 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% 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, 2016, the outstanding principal amount was $68.8 million.

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% 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.

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

2015D SHF Bond. In November 2015, the Authority entered into a secured loan agreement (the “SHF Loan Agreement”)with the Texas Department of Transportation, 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% per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $5.7 million during fiscal year 2016 under the SHF Loan Agreement. The 2015D SHF Bond had an outstanding balance of $5.7 million as of June 30, 2016.

2015E SIB Bond. In November 2015, the Authority entered into a secured loan agreement (the "SIB Loan Agreement")with the Texas Department of Transportation, 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% per annum and the final maturity date thereof is July 1, 2049.

The Authority received loan proceeds of $5.7 million during fiscal year 2016 under the SIB Loan Agreement. The 2015E SIB Bond had an outstanding balance of $5.7 million as of June 30, 2016.

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

The Series 2016 Obligations were issued as current interest bonds and are scheduled to mature in 2020 through 2046. Interest on the Series 2016 Obligations is calculated on the basis of a 360-day year of 12, 30-day months at rates ranging from 3.375% to 5.000%. Interest on the Series 2016 Obligations is payable on each July 1 and January 1, commencing July 1, 2016. As of June 30, 2016, the outstanding principal amount was $358 million.

As a result of the Series 2010 and 2011 Senior Lien Bonds refunding noted above, the Authority will realize a total decrease of $62.2 million in debt service payments and total deferred outflows of resources of $74.8 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 $44.0 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 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%. 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 Authority did not receive loan proceeds under the 2011 Draw Down Note and the 2011 Drawn Down Note was repaid in full with principal and interest payments of $1.7 million.

During fiscal year 2015, the Authority did not receive loan proceeds under the 2011 Draw Down Note and made principal and interest payments of $1.3 million. The 2011 Draw Down Note had an outstanding balance of $1.7 million as of June 30, 2015.

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% 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 Authority received no loan proceeds during fiscal years 2016 and 2015 under the Loan. The Loan had an outstanding balance of $5.3 million as of June 30, 2016 and 2015.

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 million (the "2015 Draw Down Note").

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 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%. Certain funds of the Authority were collateral for the 2015 Draw Down Note.

Future Payments on Debt Obligations – Future payments of principal and interest on the Authority's bond and notes described in this Note 4 (based on the scheduled payments) as of June 30, 2016 are as follows:

	Current Interest Bonds		Capital Appreciation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 4,695,000	$ 46,021,334	$ -	$ -	$ 1,730,000	$ 119,250
2018	4,800,000	53,301,163	-	-	1,765,000	80,325
2019	5,715,000	53,061,163	-	-	1,805,000	40,613
2020	8,115,000	52,737,750	-	-	-	-
2021	22,770,000	52,151,688	-	12,130,056	-	-
2022-2026	92,565,955	246,401,688	9,999,944	13,245,968	-	-
2027-2031	155,586,743	218,662,438	6,674,032	43,144,194	-	-
2032-2036	216,646,390	173,069,688	14,325,806	46,640,916	-	-
2037-2041	289,335,000	111,658,438	9,109,084	38,089,212	-	-
2042-2046	265,290,000	39,237,500	4,890,788	141,120,290	-	-
	$ 1,065,519,088	$ 1,046,302,850	$ 44,999,654	$ 294,370,635	$ 5,300,000	$ 240,188

	Total Debt Service	
	Principal	Interest
2017	$ 6,425,000	$ 46,140,584
2018	6,565,000	53,381,488
2019	7,520,000	53,101,776
2020	8,115,000	52,737,750
2021	22,770,000	64,281,744
2022-2026	102,565,899	259,647,656
2027-2031	162,260,775	261,806,632
2032-2036	230,972,196	219,710,604
2037-2041	298,444,084	149,747,650
2042-2046	270,180,788	180,357,790
Total	1,115,818,742	$ 1,340,913,673
Accreted interest	24,578,938	
	$ 1,140,397,680	

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 $24,578,938.

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.

The Authority's deferred outflows of resource balance is composed of the following as of June 30, 2016:

Deferred outflows from bond refundings	$ 90,875,992
Employer pension contribution	202,873
Difference in pension investment assumption	502,269
Experience changes	37,566
Assumption changes	37,369
	$ 91,656,069

The Authority's deferred inflow of resource balance is composed of the following as of June 30, 2016:

Experience changes	$ 172,017

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, 2016.

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 year 2016.

8. Employee Retirement Plan

Plan Description – The Authority participates in TCDRS. 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.

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% and has elected a matching rate of $2 to $1. The employee's savings grow at a rate of 7%, 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 of 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 purpose 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.

Employees Covered by Benefit Terms –The following employees were covered by the benefit terms as of the valuation date December 31, 2015:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to, but not yet receiving benefits	9
Active employees	23
Total	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 2016, the contribution rate for the plan members was 7% of gross pay. The Authority pays a matching portion to the pension plan totaling 14% of gross pay for 2016, which totaled $389,889.

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

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

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

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

Mortality rates were based on the following:

Depositing members – RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries, and nondepositing members – The RP-2000 Combined Mortality Table with the projection scale AA and then projected with 110% 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% 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, 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 & 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 + 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. (HFRI) Fund of Funds Composite Index	25.0%	5.3%

(1) Target asset allocation adopted at the April 2016 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.6%, per investment consultant's 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% for both December 31, 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.

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%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability/(Asset) 2015

	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, 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	(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 (2)	-	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) 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%, 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%) or 1 percentage point higher (9.1%) than the current rate.

	December 31, 2015		
	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	$ 5,549,877	$ 4,869,457	$ 4,305,697
Fiduciary net position	5,071,480	5,071,480	5,071,480
Net pension liability (asset)	478,397	(202,023)	(765,783)

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, 2015 to December 31, 2015
Service cost	$ 474,778
Interest on total pension liability (1)	361,003
Effect of plan changes	(33,691)
Administrative expenses	3,541
Member contributions	(180,742)
Expected investment return net of investment expenses	(405,263)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(16,806)
Recognition of assumption changes or inputs	4,671
Recognition of investment gains or losses	129,605
Other (2)	(1,713)
Pension expense	$ 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 – As of June 30, 2016, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	2015 Deferred Inflows of Resources	2015 Deferred Outflows of Resources
Differences between expected and actual experience	$ 172,017	$ 37,566
Changes of assumptions	-	37,369
Net difference between projected and actual earnings	-	502,268
Contributions made subsequent to measurement date	-	202,873

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:

Year ended December 31,	
2016	$ 117,470
2017	117,470
2018	117,470
2019	101,319
2020	(12,135)
Thereafter	(36,405)
	$ 405,189

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 12/31/15 Expenses (1)	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
Investment (gains) losses	$ 567,272	12/31/2015	5	$ 113,454	$ -	$ 453,818
Investment (gains) losses	80,751	12/31/2014	5	16,150	-	48,451
Economic/demographic (gains) or losses	(193,519)	12/31/2015	9	(21,502)	(172,017)	-
Economic/demographic (gains) or losses	46,958	12/31/2014	10	4,696	-	37,566
Assumption changes or inputs	42,041	12/31/2015	9	4,671	-	37,369
Assumption changes or inputs	-	12/31/2014	10	-	-	-
Employer contributions made subsequent to measurement date	144,576		-	-	-	202,873

(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.

9. Disaggregation of Receivable and Payable Balances

Due from other agencies 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, 2016. Accounts payable balances are comprised of 100% current payables to contractors and vendors at June 30, 2016.

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

TxDOT	$ 85,590,015
Other agencies	1,173,644
Total	$ 86,763,659

10. Commitments and Contingent Liabilities

Commitments

On 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:

Year ended December 31,	
2017	$ 335,395
2018	347,163
2019	358,932
2020	370,700
2021	382,468
Thereafter	730,939
	$ 2,525,597

The Authority's rental expense for fiscal year 2016 totaled $411,359, 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, 2016, the Authority has a capital budget of approximately $1.202 billion 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 $654 million for the year ended June 30, 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.

Litigation
As of June 30, 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 claims are for increased project costs relating to the MoPac Improvement Project and are approximately $70 million. 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.

11. Subsequent Events

On August 9, 2016, the Authority issued its Series 2016 Subordinate Lien Revenue Refunding Bonds in the amount of $74.7 million to refund the Series 2011 Subordinate Lien Bonds. Series 2016 Subordinate Lien Revenue Refunding Bonds were issued as current interest bonds, are scheduled to mature on dates ranging from 2018 to 2041, bear interest at rates ranging from 3.125% to 5.000%, and interest is payable on each January 1 and July 1.

Schedule of Changes in Net Pension Assets and Related Ratios
Year Ended December 31

	2015	2014
Total pension liability:		
Service cost	$ 474,778	$ 461,237
Interest on total pension liability	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	(193,519)	46,943
Benefit payments/refunds of contributions	(2,211)	-
Net change in total pension liability	648,401	803,389
Total pension liability at beginning of year	4,221,814	3,418,425
Total pension liability at end of year (a)	4,870,215	4,221,814
Fiduciary net position:		
Employer contributions	361,493	327,807
Member contributions	180,742	163,979
Investment income net of investment expense	(162,009)	261,626
Benefit payments/refunds of contributions	(2,211)	-
Administrative expenses	(3,541)	(3,345)
Other	1,713	(242)
Net change in fiduciary net position	376,187	749,825
Fiduciary net position at beginning of year	4,696,051	3,946,226
Fiduciary net position at end of year (b)	5,072,238	4,696,051
Net pension asset at end of year = (a) - (b)	$ (202,023)	$ (474,237)
Fiduciary net position as a percentage of total pension liability	104.15%	111.23%
Pensionable covered payroll	$ 2,582,032	$ 2,342,556
Net pension liability (asset) as a percentage of covered payroll	(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.

Schedule of Employer Contributions

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
2006	$ 129,061	$ 129,061	$ -	$ 945,504	13.6%
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)	1,862,303	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%

(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.

Notes to Schedule of Employer Contributions and Net Pension Liability

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%
Salary Increases	4.9% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.1%
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, 2015 Valuation

Retirement Age

Annual Rates of Service 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% 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.

<u>Other Terminations of Employment</u> — 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% 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% 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.

State Awards Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

We have audited, 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, the financial statements of Central Texas Regional Mobility Authority (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 12, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
September 12, 2016

PS&Co.

Padgett Stratemann

Independent Auditor's Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by the State of Texas Uniform Grant Management Standards

To the Board of Directors
Central Texas Regional Mobility Authority
Austin, Texas

Report on Compliance for a Major State Program

We have audited Central Texas Regional Mobility Authority's (the "Authority") compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards ("UGMS")* that could have a direct and material effect on each of the Authority's major State programs for the year ended June 30, 2016. The Authority's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *UGMS*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each of the major state programs. However, our audit does not provide a legal determination of the Authority's compliance with those requirements.

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Opinion on the Major State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on each of the major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major state programs and to test and report on internal control over compliance in accordance with the *UGMS*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
September 12, 2016

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None Reported
Noncompliance material to financial statements noted?	____ Yes	X No

2. State Awards

Type of auditor's report issued on compliance for major programs:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None Reported
Any audit findings disclosed that are required to be reported in accordance with the *State of Texas Single Audit Circular*	____ Yes	X No

Identification of major programs:

State Award Number(s)	Name of State Program or Cluster
CSJ 3136-01-176	Mopac South Project EA
CSJ 3136-01-015	Mopac Improvement Project

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

B. Financial Statement Findings

None reported.

C. State Award Finding and Questioned Costs

None reported.

Central Texas Regional Mobility Authority

Schedule of Expenditures of State Awards

Year Ended June 30, 2016

Grantor/Program Title	State Grant Award Number		State Expenditures
Mopac South Intersections (Loop 1: from Davis to LaCrosse)	CSJ 3136-01-015	$	232,510
183N Advance Funding Agreement	CSJ 0151-05-102		303,825
US290 W Scenic Brook to Joe Tanner Grant	0113-08-060		142,441
Mopac Improvement Project	CSJ 3136-01-107		8,633,028
Mopac South Project EA (EA = Environmental Assessment)	CSJ 3136-01-176		3,194,096
Total State Expenditures		$	12,505,900

See accompanying notes to the Schedule of Expenditures of State Awards.

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of State Awards (the "Schedule") includes the activity of all state programs administered by Central Texas Regional Mobility Authority (the "Authority"). The Authority's organization is defined in Note 1 of the Authority's basic financial statements. Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Authority.

(b) Basis of Presentation

The Schedule presents total state awards expended for each individual program in accordance with the Texas Uniform Grant Management Standards.

(c) Basis of Accounting

The expenditures for each of the state financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 1 of the Authority's basic financial statements.

2. Relationship to State Financial Reports

The amounts reported in the financial reports agree with the amounts reported in the accompanying Schedule which is prepared on the basis explained in Note 1 of the Authority's financial statements.