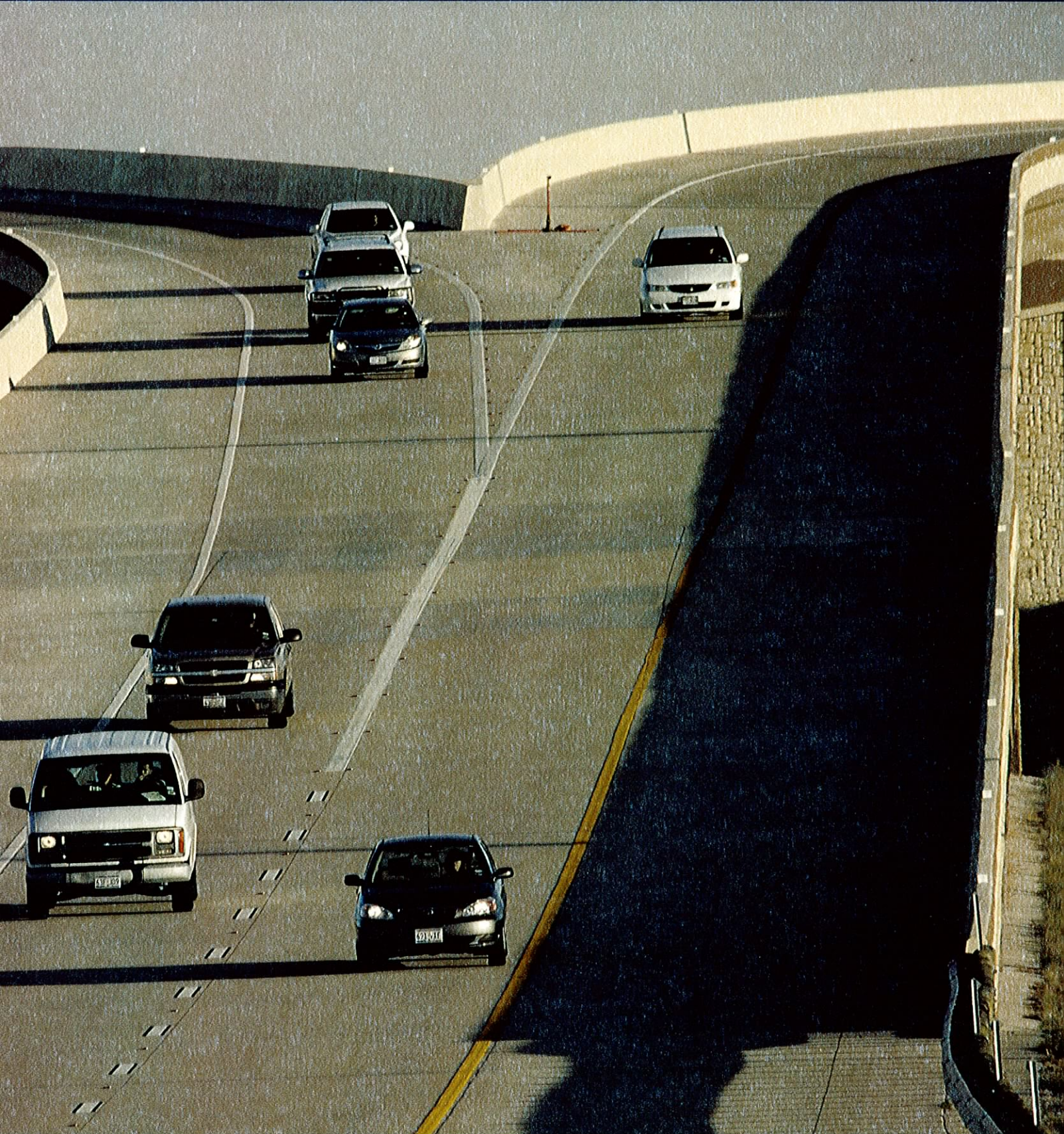


TEXAS DEPARTMENT OF TRANSPORTATION

Annual Financial Report

(Unaudited)



For the Fiscal Year ended August 31, 2010



Texas Department of Transportation

DEWITT C. GREER STATE HIGHWAY BLDG. • 125 E. 11TH STREET • AUSTIN, TEXAS 78701-2483 • (512) 463-8585

November 20, 2010

TO: Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

We are pleased to submit the Annual Financial Report of the Texas Department of Transportation (TxDOT) for the year ended August 31, 2010, in compliance with §2101.011 of the Texas Government Code and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all of the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions regarding the report or the Schedule of Expenditures of Federal Awards, please contact Glen T. Knipstein, Director of Accounting Management, at (512) 486-5314.

Sincerely,

Amadeo Saenz, Jr., P.E.
Executive Director

Enclosure

cc: James M. Bass, Chief Financial Officer, TxDOT

THE TEXAS PLAN

REDUCE CONGESTION • ENHANCE SAFETY • EXPAND ECONOMIC OPPORTUNITY • IMPROVE AIR QUALITY
INCREASE THE VALUE OF OUR TRANSPORTATION ASSETS

An Equal Opportunity Employer

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Combined Financial Statements



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EXHIBIT I

**COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
August 31, 2010**

	GOVERNMENTAL FUND TYPES				
	GENERAL (EXH A-1)	SPECIAL REVENUE (EXH B-1)	DEBT SERVICE (0008)* U/F(0010)	CAPITAL PROJECTS (7604) * U/F (7604)	GOVERNMENTAL FUNDS TOTAL
	\$	\$	\$	\$	\$
ASSETS					
Current Assets:					
Cash and Cash Equivalents					
Cash on Hand	605	615,156			615,761
Cash in Bank (Note 3)		40,764,819			40,764,819
Cash in State Treasury (Note A)	1,510,674	5,792,802,615	116,368,477		5,910,681,766
Legislative Appropriations	12,242,917				12,242,917
Receivables from:					
Federal		298,105,003			298,105,003
Other Intergovernmental (Note B)		63,565,109			63,565,109
Interest and Dividends		11,019,794			11,019,794
Accounts Receivable		26,760,629			26,760,629
Due from Other Funds (Note 12)		44,041,025			44,041,025
Due from Other Agencies (Note 12)		193,803,146		512,097	194,315,243
Consumable Inventories		109,141,146			109,141,146
Loans and Contracts [Note 1 F(4)]	54,590	21,777,576			21,832,166
Total Current Assets	<u>13,808,786</u>	<u>6,602,396,018</u>	<u>116,368,477</u>	<u>512,097</u>	<u>6,733,085,378</u>
Non-Current Assets:					
Federal Receivable					
Loans and Contracts [Note 1 F(4)]	291,207	28,820,378			28,820,378
Capital Assets:					
Non-Depreciable & Non-Amortizable					
Land and Land Improvements					
Infrastructure					0
Construction in Progress					0
Land Use Rights					0
Depreciable & Amortizable					
Building and Building Improvements					
Less Accumulated Depreciation					0
Infrastructure					0
Less Accumulated Depreciation					0
Furniture and Equipment					0
Less Accumulated Depreciation					0
Vehicles, Boats, and Aircraft					0
Less Accumulated Depreciation					0
Land Use Rights					0
Less Accumulated Amortization					0
Computer Software					0
Less Accumulated Amortization					0
Other Capital Assets					0
Less Accumulated Depreciation					0
Deferred Charge					0
Derivative Investment Instruments (Note 3)					0
Other Non-Current Assets		5,633,447			5,633,447
Total Non-Current Assets	<u>291,207</u>	<u>1,287,875,461</u>	<u>0</u>	<u>0</u>	<u>1,288,166,668</u>
TOTAL ASSETS	<u>\$ 14,099,993</u>	<u>\$ 7,890,271,479</u>	<u>\$ 116,368,477</u>	<u>\$ 512,097</u>	<u>\$ 8,021,252,046</u>

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSET ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF NET ASSETS
\$	\$	\$	\$
			615,761
			40,764,819
			5,910,681,766
			12,242,917
			298,105,003
			63,565,109
			11,019,794
			26,760,629
			44,041,025
			194,315,243
			109,141,146
			21,832,166
<u>0</u>	<u>0</u>	<u>0</u>	<u>6,733,085,378</u>
			28,820,378
			1,253,712,843
7,910,514,147			7,910,514,147
47,913,826,570			47,913,826,570
3,725,482,818			3,725,482,818
60,048,437			60,048,437
353,821,255			353,821,255
(164,062,314)			(164,062,314)
18,850,618,600			18,850,618,600
(10,539,148,253)			(10,539,148,253)
156,117,696			156,117,696
(109,225,352)			(109,225,352)
626,729,240			626,729,240
(371,498,605)			(371,498,605)
22,195,772			22,195,772
(4,575,203)			(4,575,203)
18,125,731			18,125,731
(15,986,854)			(15,986,854)
10,796,006			10,796,006
(3,739,127)			(3,739,127)
	39,918,026		39,918,026
		8,896,856	8,896,856
			5,633,447
<u>68,440,040,564</u>	<u>39,918,026</u>	<u>8,896,856</u>	<u>69,777,022,114</u>
<u>\$ 68,440,040,564</u>	<u>\$ 39,918,026</u>	<u>\$ 8,896,856</u>	<u>\$ 76,510,107,492</u>

EXHIBIT I

COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
(Continued)

	GOVERNMENTAL FUND TYPES				
	GENERAL (EXH A-1)	SPECIAL REVENUE (EXH B-1)	DEBT SERVICE (0008)* U/F(0010)	CAPITAL PROJECTS (7604) * U/F (7604)	GOVERNMENTAL FUNDS TOTAL
LIABILITIES AND FUND BALANCES	\$	\$	\$	\$	\$
Current Liabilities:					
Payables from:					
Accounts Payable	99,389	801,829,764		512,097	802,441,250
Contracts Payable [Note 1 F(8)]		57,414,362			57,414,362
Payroll Payable	197,804	58,397,973			58,595,777
Interest Payable					0
Due to Other Funds (Note 12)	489,754	41,968,969			42,458,723
Due to Other Agencies (Note 12)	216,549	54,503,017			54,719,566
Deferred Revenues [Note 1 F(9)]		3,244,105,515			3,244,105,515
Short Term Debt (Note 4)		65,000,000			65,000,000
Pass Through Toll Notes Payable (Note 5)					0
Revenue Bonds Payable (Note 5)					0
Premium/Discount-Revenue Bonds (Note 5)					0
General Obligation Bonds Payable (Note 5)					0
Premium-GO Bonds (Note 5)					0
Employees Compensable Leave (Note 5)					0
Pollution Remediation Obligations (Note 5)					0
Total Current Liabilities	<u>1,003,496</u>	<u>4,323,219,600</u>	<u>0</u>	<u>512,097</u>	<u>4,324,735,193</u>
Non-Current Liabilities:					
Pass Through Toll Notes Payable (Note 5)					0
Revenue Bonds Payable (Note 5)					0
Premium-Revenue Bonds (Note 5)					0
General Obligation Bonds Payable (Note 5)					0
Premium-GO Bonds (Note 5)					0
Employees Compensable Leave (Note 5)					0
Pollution Remediation Obligations (Note 5)					0
Total Non-Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>1,003,496</u>	<u>4,323,219,600</u>	<u>0</u>	<u>512,097</u>	<u>4,324,735,193</u>
Fund Financial Statement-Fund					
Fund Balances (Deficits):					
Reserved For:					
Encumbrances		131,350,158			131,350,158
Inventories		109,141,146			109,141,146
Imprest		143,158			143,158
Loans & Contracts	291,207	1,253,421,636			1,253,712,843
Debt Service			116,368,477		116,368,477
Unreserved:					
Designated For Other:					
Highway Construction and Maintenance		1,950,914,462			1,950,914,462
State Infrastructure Bank		108,546,526			108,546,526
Undesignated:					
Unencumbered Legislative Appropriations:					
Future Operations	12,087,242				12,087,242
Consolidated Funds	718,048				718,048
Texas Transportation Corporations		13,534,793			13,534,793
TOTAL FUND BALANCES	<u>13,096,497</u>	<u>3,567,051,879</u>	<u>116,368,477</u>	<u>0</u>	<u>3,696,516,853</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,099,993</u>	<u>\$ 7,890,271,479</u>	<u>\$ 116,368,477</u>	<u>\$ 512,097</u>	<u>\$ 8,021,252,046</u>

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSET ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF NET ASSETS
\$	\$	\$	\$
			802,441,250
			57,414,362
			58,595,777
	188,001,591		188,001,591
			42,458,723
			54,719,566
		(28,820,378)	3,215,285,137
			65,000,000
	13,103,486		13,103,486
	109,210,000		109,210,000
	6,073,944		6,073,944
	39,645,000		39,645,000
	8,682,901		8,682,901
	57,379,884		57,379,884
	377,500		377,500
<u>0</u>	<u>422,474,306</u>	<u>(28,820,378)</u>	<u>4,718,389,121</u>
			234,368,366
	234,368,366		234,368,366
	5,093,445,000		5,093,445,000
	86,037,146		86,037,146
	6,057,680,000		6,057,680,000
	139,544,909		139,544,909
	18,923,614		18,923,614
	5,357,362		5,357,362
<u>0</u>	<u>11,635,356,397</u>	<u>0</u>	<u>11,635,356,397</u>
<u>0</u>	<u>12,057,830,703</u>	<u>(28,820,378)</u>	<u>16,353,745,518</u>
			131,350,158
			109,141,146
			143,158
			1,253,712,843
			116,368,477
			1,950,914,462
			108,546,526
			12,087,242
			718,048
			13,534,793
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,696,516,853</u>
<u>\$ 0</u>	<u>\$ 12,057,830,703</u>	<u>\$ (28,820,378)</u>	<u>\$ 20,050,262,371</u>

EXHIBIT I

**COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
(Concluded)**



GOVERNMENTAL FUND TYPES

	GENERAL (EXH A-1)	SPECIAL REVENUE (EXH B-1)	DEBT SERVICE (0008)* U/F(0010)	CAPITAL PROJECTS (7604) * U/F (7604)	GOVERNMENTAL FUNDS TOTAL
	\$	\$	\$	\$	\$
Government-wide Statement-Net Assets					
Net Assets:					
Invested in Capital Assets, Net of Related Debt					
Restricted for:					
Other					
Unrestricted					
Total Net Assets					

Note (A):

	Cash in State Treasury
Consolidated Fund 0071	\$ 804,371
Consolidated Fund 0900	706,303
TOTAL	<u>\$ 1,510,674</u>

Note (B): The revenue breakdown is as follows:

	Other Intergovernmental Receivable
Sales of Goods and Services	\$ 63,528,100
Licenses, Fees and Permits	37,009
Total	<u>\$ 63,565,109</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX).

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSET ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF NET ASSETS
\$	\$	\$	\$
68,440,040,564	(8,737,923,594)		59,702,116,970
	(3,049,867,158)		(3,049,867,158)
	(230,121,925)	37,717,234	(192,404,691)
<u>\$ 68,440,040,564</u>	<u>\$ (12,017,912,677)</u>	<u>\$ 37,717,234</u>	<u>\$ 56,459,845,121</u>

EXHIBIT II

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, & CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the fiscal year ended August 31, 2010**

	GOVERNMENTAL FUND TYPES				
	GENERAL (EXH A-2)	SPECIAL REVENUE (EXH B-2)	DEBT SERVICE (0008)* U/F(0010)	CAPITAL PROJECTS FUND (7604)* U/F (7604)	GOV'T FUNDS TOTAL
	\$	\$	\$	\$	\$
REVENUES:					
Legislative Appropriations:					
Original Appropriations	46,277,498				46,277,498
Additional Appropriations	891,988				891,988
Taxes		40,356,000			40,356,000
Federal Revenues		2,668,111,403			2,668,111,403
Federal Grant Pass Through Revenues		22,022,375			22,022,375
State Grant Pass Through Revenues		74,465			74,465
Licenses, Fees and Permits [Note 1 H(4)]	609,973	540,626,463			541,236,436
Interest & Investment Income		71,962,341	1,265,735		73,228,076
Land Income		6,409,404			6,409,404
Settlement of Claims		223,259			223,259
Sales of Goods and Services	892,028	203,085,940			203,977,968
Other Revenues		7,261,152			7,261,152
TOTAL REVENUES:	<u>48,671,487</u>	<u>3,560,132,802</u>	<u>1,265,735</u>	<u>0</u>	<u>3,610,070,024</u>
EXPENDITURES:					
Salaries and Wages	2,782,188	586,938,512			589,720,700
Payroll Related Costs	1,080,642	214,350,484			215,431,126
Professional Fees and Services	151,438	244,014,269			244,165,707
Travel	58,118	3,804,326			3,862,444
Materials and Supplies	218,062	321,980,431			322,198,493
Communications and Utilities	4,629	52,637,938			52,642,567
Repairs and Maintenance	736,639	1,217,294,804			1,218,031,443
Rentals and Leases	3,764	10,510,477			10,514,241
Printing and Reproduction		3,145,966			3,145,966
Claims and Judgments		11,189,471			11,189,471
Federal Pass Through Expenditures		10,930,353			10,930,353
State Grant Pass Through Expenditures	901	54,895			55,796
Intergovernmental Payments	1,402,952	418,836,175		25,857,905	446,097,032
Public Assistance Payments		23,109,292			23,109,292
Other Expenditures	32,526	345,854,774			345,887,300
Principal on State Bonds		34,730,000	104,100,000		138,830,000
Principal on Pass -Through Tolls		205,000			205,000
Amortization					0
Interest on State Bonds	15,675,730	275,785,507	117,709,796		409,171,033
Other Financing Fees		20,060,112			20,060,112
Capital Outlay	4,358,182	2,818,902,420			2,823,260,602
Depreciation & Amortization Expense					0
Decrease in Pollution Obligation					0
TOTAL EXPENDITURES:	<u>26,505,771</u>	<u>6,614,335,206</u>	<u>221,809,796</u>	<u>25,857,905</u>	<u>6,888,508,678</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES:	<u>22,165,716</u>	<u>(3,054,202,404)</u>	<u>(220,544,061)</u>	<u>(25,857,905)</u>	<u>(3,278,438,654)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In [Note 1 H (7)]	750,000	3,381,833,527	237,227,386	25,857,905	3,645,668,818
Operating Transfers Out [Note 1 H (7)]	2,938	(1,193,182,954)			(1,193,180,016)
Legislative Transfer Out [Note 1 H (8)]	(14,763,393)				(14,763,393)
Bond & Note Proceeds		2,731,591,221			2,731,591,221
Insurance Recoveries		10,557,622			10,557,622
Sale of Capital Assets	3,570,153	4,531,775			8,101,928
Gain (Loss) on Sale of Capital Assets					
Increase in Net Assets Due to Interagency Transfer					
Decrease in Net Assets Due to Interagency Transfer					
TOTAL OTHER FINANCING SOURCES (USES):	<u>(10,440,302)</u>	<u>4,935,331,191</u>	<u>237,227,386</u>	<u>25,857,905</u>	<u>5,187,976,180</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSETS ADJUSTMENTS	LONG TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF ACTIVITIES
\$	\$	\$	\$
			46,277,498
			891,988
			40,356,000
		7,826,352	2,675,937,755
			22,022,375
			74,465
			541,236,436
		2,145,103	75,373,179
			6,409,404
			223,259
			203,977,968
			9,446,772
2,185,620			3,622,227,099
<u>2,185,620</u>	<u>0</u>	<u>9,971,455</u>	
	2,141,927		589,720,700
			217,573,053
			244,165,707
			3,862,444
			322,198,493
			52,642,567
			1,218,031,443
			10,514,241
			3,145,966
			11,189,471
			10,930,353
			55,796
			446,097,032
			23,109,292
			345,887,300
	(138,830,000)		0
	(205,000)		0
	(13,969,839)		(13,969,839)
	37,102,492		446,273,525
	(14,170,899)		5,889,213
(2,823,260,602)			0
648,486,227			648,486,227
	(3,346,825)		(3,346,825)
<u>(2,174,774,375)</u>	<u>(131,278,144)</u>	<u>0</u>	<u>4,582,456,159</u>
2,176,959,995	131,278,144	9,971,455	(960,229,060)
			3,645,668,818
			(1,193,180,016)
			(14,763,393)
	(2,731,591,221)		0
			10,557,622
(8,101,928)			0
(13,626,282)			(13,626,282)
61,865			61,865
(843,960)			(843,960)
<u>(22,510,305)</u>	<u>(2,731,591,221)</u>	<u>0</u>	<u>2,433,874,654</u>

EXHIBIT II

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, & CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
(Concluded)**

	GOVERNMENTAL FUND TYPES				
	GENERAL (EXH A-2)	SPECIAL REVENUE (EXH B-2)	DEBT SERVICE (0008)* U/F(0010)	CAPITAL PROJECTS FUND (7604)* U/F (7604)	GOV'T FUNDS TOTAL
Net change in Fund Balances/Net Assets	\$ 11,725,414	\$ 1,881,128,787	\$ 16,683,325	\$ 0	\$ 1,909,537,526
Fund Financial Statement - Fund Balances					
FUND BALANCES, Sept. 1, 2009	2,319,222	1,685,923,092	99,685,152		1,787,927,466
Appropriations Lapsed	(948,139)				(948,139)
FUND BALANCES, Aug. 31, 2010 (Exh. I)	<u>\$ 13,096,497</u>	<u>\$ 3,567,051,879</u>	<u>\$ 116,368,477</u>	<u>\$ 0</u>	<u>\$ 3,696,516,853</u>
Government-wide Statement of Net Assets					
Net Assets/Net Change in Net Assets					
Net Assets-Beginning					
Restatements (Note 14)					
Net Assets-September 1, 2009, as restated					
Net Assets as of August 31, 2010					

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX).

The accompanying notes to the financial statements are an integral part of this financial statement.

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSETS ADJUSTMENTS	LONG TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF ACTIVITIES
\$ 2,154,449,690	\$ (2,600,313,077)	\$ 9,971,455	\$ 1,473,645,594
			1,787,927,466
			(948,139)
			3,696,516,853
<u>2,154,449,690</u>	<u>(2,600,313,077)</u>	<u>9,971,455</u>	<u>(435,891,932)</u>
66,261,578,021	(9,417,599,600)	20,994,026	56,864,972,447
24,012,853		6,751,753	30,764,606
<u>66,285,590,874</u>	<u>(9,417,599,600)</u>	<u>27,745,779</u>	<u>56,895,737,053</u>
\$ <u>68,440,040,564</u>	\$ <u>(12,017,912,677)</u>	\$ <u>37,717,234</u>	\$ <u>56,459,845,121</u>

EXHIBIT III

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

August 31, 2010

	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
	\$	\$
ASSETS		
Current Assets:		
Money Market and Similar Funds (Note 3)	318,382,715	318,382,715
Short Term Investments (Note 3)	15,029,000	15,029,000
Due from Other Funds (Note 12)	1,842	1,842
Receivable:		
Interest and Dividends	300,323	300,323
Accounts Receivable	4,386,215	4,386,215
Local Governments	5,257,738	5,257,738
Total Current Assets	<u>343,357,833</u>	<u>343,357,833</u>
Non-Current Assets:		
Restricted:		
Cash In State Treasury	32,762	32,762
Investments (Note 3)	114,999,378	114,999,378
Deferred Charges	39,681,726	39,681,726
Capital Assets:		
Non- Depreciable (Note 2)		
Land	631,440,065	631,440,065
Roadways	1,631,036,702	1,631,036,702
Land Use Rights	16,525,986	16,525,986
Depreciable (Note 2)		
Buildings	8,360,006	8,360,006
less Accumulated Depreciation	(1,629,335)	(1,629,335)
Infrastructure	421,201,897	421,201,897
less Accumulated Depreciation	(56,836,537)	(56,836,537)
Total Non- Current Assets	<u>2,804,812,650</u>	<u>2,804,812,650</u>
Total Assets	<u>3,148,170,483</u>	<u>3,148,170,483</u>
LIABILITIES		
Current Liabilities:		
Payables		
Accounts Payable	20,098,229	20,098,229
Deferred Revenue	260,485	260,485
Payable From Restricted Assets-Current Portion	3,658,083	3,658,083
Due to Other Funds (Note 12)	1,584,144	1,584,144
Total Current Liabilities	<u>25,600,941</u>	<u>25,600,941</u>
Non-Current Liabilities:		
Revenue Bonds Payable (Note 5)	1,537,924,340	1,537,924,340
Notes/Loans Payable (TIFIA) (Note 5)	1,007,012,665	1,007,012,665
Total Non-Current Liabilities	<u>2,544,937,005</u>	<u>2,544,937,005</u>
Total Liabilities	<u>2,570,537,946</u>	<u>2,570,537,946</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	105,161,780	105,161,780
Restricted for debt service	164,286,453	164,286,453
Unrestricted	308,184,304	308,184,304
Total Net Assets	<u>\$ 577,632,537</u>	<u>\$ 577,632,537</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

EXHIBIT IV

**STATEMENT OF REVENUES, EXPENSES, and CHANGES in NET ASSETS
- PROPRIETARY FUNDS
For the Fiscal Year Ended August 31, 2010**

	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
Operating Revenues		
Toll Revenue	\$ 73,298,997	\$ 73,298,997
Total Operating Revenues	<u>73,298,997</u>	<u>73,298,997</u>
Operating Expenses		
Professional Fees and Services	(9,173,343)	(9,173,343)
Materials and Supplies	(3,782,132)	(3,782,132)
Communication and Utilities	(1,255,124)	(1,255,124)
Repairs and Maintenance	(12,779,272)	(12,779,272)
Printing & Reproduction	(16,064)	(16,064)
Depreciation Expense (Note 2)	(17,352,296)	(17,352,296)
Prompt Payment Interest	(533)	(533)
Contracted Services-Laborers	(20,489,879)	(20,489,879)
Advertising	(183,042)	(183,042)
Other Operating Expenses	(2,180,495)	(2,180,495)
Total Operating Expenses	<u>(67,212,180)</u>	<u>(67,212,180)</u>
Operating Income (Loss)	<u>6,086,817</u>	<u>6,086,817</u>
Nonoperating Revenues (Expenses)		
Lease Revenue	12,864	12,864
Interest and Investment Income	6,251,339	6,251,339
Interest and Amortization Expense	(66,745,615)	(66,745,615)
Accretion on Capital Appreciation Bonds (Note 5)	(72,802,167)	(72,802,167)
Net Increase (Decrease) in Fair Value of Investments	380,789	380,789
Other Financing Fees	74,180	74,180
Other Nonoperating Revenues (Expenses)	78	78
Total Nonoperating Revenues (Expenses)	<u>(132,828,532)</u>	<u>(132,828,532)</u>
Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers	<u>(126,741,715)</u>	<u>(126,741,715)</u>
Other Revenues, (Expenses), Gains/(Losses) and Transfers		
Capital Contributions	27,762,446	27,762,446
Operating Transfer In [Note 1 H(7)]	35,527,692	35,527,692
Total Other Revenues, (Expenses), Gains/(Losses) and Transfers	<u>63,290,138</u>	<u>63,290,138</u>
Change in Net Assets	<u>(63,451,577)</u>	<u>(63,451,577)</u>
Total Net Assets, September 1, 2009	642,257,624	642,257,624
Restatement (Note 14)	(1,173,510)	(1,173,510)
Total Net Assets, September 1, 2009, as restated	641,084,114	641,084,114
Total Net Assets, August 31, 2010	<u>\$ 577,632,537</u>	<u>\$ 577,632,537</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

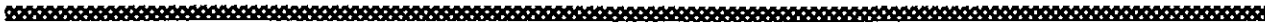
EXHIBIT V

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended August 31, 2010**

	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES		
	\$	\$
Receipts from Customers	75,331,264	75,331,264
Payments to Vendors	(45,091,187)	(45,091,187)
Net Cash Provided by Operating Activities	<u>30,240,077</u>	<u>30,240,077</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Lease Revenue	12,864	12,864
Proceeds from Capital Contributions	27,762,446	27,762,446
Payments for Interest on Debt Issue	(62,678,437)	(62,678,437)
Payments for Additions to Land and Roadways	(19,302,432)	(19,302,432)
Payments for Remarketing Fees and Other Costs	74,180	74,180
Net Cash Used by Capital and Related Financing Activities	<u>(54,131,379)</u>	<u>(54,131,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	59,997,479	59,997,479
Proceeds from Interest and Investment Income, net of fees	7,030,659	7,030,659
Payments to Acquire Investments	(59,997,542)	(59,997,542)
Net Cash Provided by Investing Activities	<u>7,030,596</u>	<u>7,030,596</u>
Net Decrease in Cash and Cash Equivalents	<u>(16,860,706)</u>	<u>(16,860,706)</u>
Cash and Cash Equivalents - September 1, 2009	351,422,672	351,422,672
Changes in Reporting Entity (Note 14)	<u>(16,146,489)</u>	<u>(16,146,489)</u>
Cash and Cash Equivalents - September 1, 2009, as Restated	<u>335,276,183</u>	<u>335,276,183</u>
Cash and Cash Equivalents - August 31, 2010	<u>\$ 318,415,477</u>	<u>\$ 318,415,477</u>

EXHIBIT V

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONCLUDED)
For the Fiscal Year Ended August 31, 2010



	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
	\$	\$
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	6,086,817	6,086,817
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation Expense	17,352,296	17,352,296
Operating Income and Cash Flow Categories Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	2,032,265	2,032,265
Increase (Decrease) in Payables	4,768,699	4,768,699
Total Adjustments	24,153,260	24,153,260
Net Cash Provided by Operating Activities	<u>\$ 30,240,077</u>	<u>\$ 30,240,077</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

The Enterprise Fund received \$35,527,692 of noncash transfers for the year ended August 31, 2010. Of this amount, \$737,523 was capitalized and \$34,790,169 was expensed for the year.

Reconciliation of Cash	
Money Market and Similar Funds	\$ 318,382,715
Restricted Cash and Cash Equivalents in State Treasury	32,762
	<u>\$ 318,415,477</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F(XXXX).

The accompanying notes to the financial statements are an integral part of this financial statement. Note 1 describes the accounting policy on cash and cash equivalents.

EXHIBIT VI

**Statement of Fiduciary Net Assets - Fiduciary Funds
August 31, 2010**



	Agency Funds (EXH C)
	\$ _____
ASSETS	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	159,647
Cash in Bank	46,336
Cash In State Treasury	245,601,638
Money Market and Similar Funds	19,435,963
Total Current Assets	<u>265,243,584</u>
 Total Assets	 <u>265,243,584</u>
 LIABILITIES	
Current Liabilities:	
Funds Held for Others	265,243,584
Total Current Liabilities	<u>265,243,584</u>
 Total Liabilities	 <u>265,243,584</u>
 NET ASSETS	
Total Net Assets	\$ <u><u>0</u></u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Scope of Entity

The Texas Department of Transportation (TxDOT), "the department," governed by the five-member Texas Transportation Commission, "the Commission," and an executive director elected by the Commission, is an agency of the State of Texas. Its operations are conducted by a central office with twenty functional divisions, six offices, four regional support centers, and twenty-five geographic districts. Further details are provided in the addendum.

The Texas Legislature created the State Highway Department in 1917 to grant financial aid to counties for highway construction and maintenance.

In 1935, the 44th Legislature created the Texas Department of Public Safety (DPS), which assumed the responsibility of enforcing laws protecting public safety. As a result, the Highway Patrol, along with the Texas Rangers, were transferred from the State Highway Department to the newly created DPS.

The Sixty-fourth Legislature (1975) created the State Department of Highways and Public Transportation by combining the authorities and responsibilities of the Texas Mass Transportation Commission and the State Highway Department. It also established the Public Transportation Fund and gave the department the responsibility for its administration.

On May 5, 1976, the functions of the Governor's Office of Traffic Safety were transferred to the department by Executive Order D.B. 28.

The Seventy-second Legislature (1991) created the Texas Department of Transportation (TxDOT) by merging the State Department of Highways and Public Transportation with the Texas Department of Aviation (effective September 1, 1991) and the Texas Motor Vehicle Commission (effective September 1, 1992).

S.B. 370, signed June 1997, abolished the Texas Turnpike Authority and created the Texas Turnpike Authority Division within the Texas Department of Transportation, and authorized the creation of regional tollway authorities. This bill also established the State Infrastructure Bank.

House Bill 3097, passed during the 81st Session of the Texas Legislature, created the Texas Department of Motor Vehicles (TxDMV). The TxDMV became operational on November 1, 2009 and is responsible for the following duties: vehicle registration and titling, issuing motor carrier operating authority, motor carrier enforcement, licensing vehicle dealers, and awarding law enforcement agencies grants to reduce auto theft and increase public awareness.

Blended Component Units

The Texas Transportation Corporations, authorized by Transportation Code Chapter 431 to perform certain functions normally undertaken by the department, have been included in the reporting entity because the department

exercises sufficient authority over the assets, operations, and management of such entities to warrant their inclusion. As a result, Texas Transportation Corporations are shown as a special revenue fund, Fund 999 [See Note 1C-(4)]. Even though Texas Transportation Corporations are a part of the Texas Department of Transportation accounting entity, the state is not liable for debts of these corporations, nor entitled to the assets of these corporations.

Discrete Component Units

No component units have been identified which require discrete presentation in the accompanying financial statements.

B. Basis of Presentation

The accompanying financial statements were prepared in conformity with procedures specified by the Texas State Comptroller's Office. The primary purpose of this report is to comply with legislative requirements to provide data for the Comptroller's Office. This data is combined by the Comptroller's Office with similar data from the other state agencies and activities in order to prepare a Comprehensive Annual Financial Report for the state.

Due to significant changes related to Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the Comptroller of Public Accounts does not require the accompanying annual financial report to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

C. Fund Structure

The financial statements are organized on the basis of funds, each of which is reported as a separate accounting entity within the department. Each fund's operations are accounted for in a separate set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. These funds are reported separately within the department.

The department's funds fall under three categories. The first category, Governmental Fund Type and Government-wide Adjustment Fund Types, includes General, Special Revenue, Capital Projects and Government-wide Adjustment Fund Types. The second category, Proprietary Funds Types, includes Enterprise Funds. The third category, Fiduciary Fund Types, includes Agency Funds.

- (1) Governmental Fund Type and Government-wide Adjustment Fund Types - General and Special Revenue Funds are used to account for the department's appropriations from the state's General Revenue Fund and proceeds from specific revenue sources that are legally restricted to expenditures for specified purposes. Capital Projects Funds are established to account for resources that are to be used to acquire major long-lived capital facilities. Their principal purpose is to assure the economical and legal expenditure of the resources, but they also serve as cost accounting mechanisms for the accumulation of the cost of major capital outlay projects. Adjustment Fund Types are used to

convert governmental fund types from modified to full accrual.

- (a) General Revenue Fund (001) - The General Revenue Fund is used to account for all financial resources of the state except those required to be accounted for in another fund. As of August 31, 1993, the Texas Highway Beautification Fund was consolidated into the General Revenue Fund.
- 1.) Texas Highway Beautification Fund Account (071) - This account was established to implement the Texas highway beautification program. Revenues are obtained from outdoor advertising license and permit fees.
 - 2.) Traffic Safety-Crash Records Information Systems Account (036) - This account is used to account for expenditures pertaining to the crash records information system. In fiscal year 2008, this program was moved from the Department of Public Safety to the Texas Department of Transportation.
 - 3.) Suspense Fund (900) - This fund is used to temporarily hold and account for receipts, until the correct disposition of the items is determined.
- (b) State Highway Fund (006) - This fund is restricted to expenditures for the building, maintaining, and policing of state highways. It derives its financing primarily from legally dedicated revenues such as motor fuels tax and vehicle registration fees, and from federal reimbursements for selected construction projects.
- (c) State Infrastructure Bank (099) - This account was established with federal and state matching funds. This account receives loan principal and interest repayments. These receipts are used for loans to public and private entities to encourage the development of transportation projects and facilities. As these loans are repaid, these repayments are deposited into a separate program cost account in the State Infrastructure Bank account, and become available for new loans under the SIB program.
- (d) Texas Mobility Fund (365) - This fund was created to account for the construction, reconstruction, acquisition, and expansion of state highways, including costs of design and acquisition of right-of-way. This fund may also be used to provide state participation in the payment of a portion of the costs of constructing and providing publicly owned toll roads and other public transportation projects. This fund is financed primarily from the sale of obligations of the state, which are, in turn, repaid primarily from revenues derived from certain dedicated state statutory fees and federal government receipts, or if such revenues are insufficient, from the general revenue fund pledged for that purpose.
- (e) Federal American Recovery and Reinvestment Fund (369) - In order to maximize accountability and transparency of federal stimulus funds, this fund was created during fiscal year 2009 to record, track, and report the receipt and disbursement of Federal American Recovery and Reinvestment Act (ARRA) funds.
- (f) Local Fund (999) - This fund presents the combined activities of the transportation corporations including the Grand Parkway Association and the Texas Private Activity Bond Surface Transportation Corporation. [See Note 1C-(4)].

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- (g) Debt Service Fund (008) - This fund is used to pay debt service on State Highway Fund bonds.
- (h) Capital Projects Fund (7604) - This fund is used to account for general obligation bonds issued by the Texas Public Finance Authority. The purpose of these bonds is to provide financial assistance to counties for roadway projects serving border colonias. The program is aimed at providing access roads to colonias to connect residents to other public roads and not necessarily for paving all roads and streets within any particular colonia. TxDOT is responsible for administering this program in cooperation with the Office of the Governor, Secretary of State and the Texas A&M Center for Housing and Urban Development.
- (i) Capital Asset Adjustment Fund Type - The Capital Asset Adjustment Fund Type is used to convert governmental fund types' capital assets from modified accrual to full accrual.
- (j) Long - Term Liabilities Adjustment Fund Type - The Long - Term Liabilities Adjustment Fund Type is used to convert governmental fund types' debt from modified accrual to full accrual. The composition of this Adjustment Fund Type is discussed in Note 5 under employees' compensable leave, pollution remediation obligations, general obligation bonds, revenue bonds, and pass-through toll payables.
- (k) Other Adjustment Fund Type - The Other Adjustments Fund Type is used to convert all other governmental fund types activity from modified accrual to full accrual. TxDOT will use this column to convert FHWA deferred revenue that is collectable, but not collectable within 60 days of fiscal year end, to revenue under full accrual. TxDOT will also use this column to record the Mobility Fund's derivative investment instruments activity as required per GASB Statement No. 53.
- (2) Proprietary Fund Types - Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the three following criteria is met: (i) The activity is financed with debt that is secured solely by a pledge of the gross revenues from fees and charges of the activity; (ii) Laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges; or (iii) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.
- (a) Turnpike Authority Project Disbursing Account (865) - This fund shows the local and treasury activity of the Central Texas Turnpike System.
- (3) Fiduciary Fund Type - Agency Funds are used to account for assets held in a custodial capacity for other entities and do not involve measurement of results of operations.
- (a) General Revenue Fund (001) - This fund receives oversize/overweight permit receipts, sales tax receipts and other collections of monies that are used to fund other state entities. This fund received \$14 in pay telephone receipts and no vending machine receipts during fiscal year 2010. During fiscal year 2010, this fund received certificate of title fees through October 31, 2009. Beginning on November 1, 2009, certificate of title fees were received by the Texas Department of Motor Vehicles.

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- (b) Proportional Registration Distributive Trust Fund (021) - This fund is used primarily to collect and distribute registration fees from trucking companies that operate in more than one state. These fees are distributed to the individual states based on mileage driven. During fiscal year 2010, Fund 021 was transferred to the Texas Department of Motor Vehicles.
- (c) Child Support Deductions -- Suspense (807) – This fund is a holding account where child support payroll deductions are held until disbursed.
- (d) Employees' Savings Bond Account (901) - This fund receives and disburses employee payroll deductions for U.S. Savings Bonds.
- (e) County, Political Subdivision, Local Government Road/Airport Trust Account (927) – This fund is used to hold money paid in advance by cities, counties, and others to reimburse the department for expenditures on specific projects from the State Highway Fund (006).
- (f) Toll Revenue Custodial Account (997)– This fund receives money paid by users of toll roads and disburses the money once the appropriate toll road beneficiary has been identified.
- (g) Direct Deposit Correction Accounts (980 and 9014) - These funds are used to temporarily hold and account for direct deposits that are unable to be processed, until the correct disposition of the items is determined.
- (4) Component Units - The implementation of GASB No. 14 requires government entities to describe any component units of the primary government, as well as the method used to report their activities. Two Texas Transportation Corporations are considered component units, per GASB No. 14. Both the Grand Parkway Association and the Texas Private Activity Bond Surface Transportation Corporation are presented in the financial statements of the department as a special revenue fund, Fund 999.

These transportation corporations are nonprofit organizations which may (1) promote and develop new and expanded transportation facilities on behalf of the department, (2) contract with the department to construct and/or improve projects designated by the department, (3) sell the projects to the department in accordance with the terms of the contract, and (4) contract with the department to supervise construction and provide construction management services for highways being constructed on behalf of the department. These projects must be intended to become part of the federal or state highway system.

These corporations may issue bonds and notes to finance the cost of projects. These bonds and notes must be approved by the Attorney General and state on their face that they are not obligations of the State of Texas. The commission created the Texas Private Activity Bond Surface Transportation Corporation for the purpose of acting on behalf of the department in the promotion and development of transportation facilities by issuing private activity bonds for projects developed under comprehensive development agreements entered into by the department. In December 2009, the Texas Private Activity Bond Surface Transportation Corporation issued \$400 million (at par value) of tax exempt bonds to loan to the developer of the North Tarrant Express Managed Lanes Project and issued \$615 million (at par value) in June 2010 to loan to the developer of the LBJ Project (I-635 Managed Lanes). The

bylaws of the corporation state that these bonds were issued by the corporation without any recourse to the Commission, TxDOT, the corporation, or the State of Texas. The department does not have any obligation to pay debt service on any bonds issued by this corporation. The bonds are payable by the corporation solely from payments received from or on behalf of a developer. The Texas Private Activity Bond Surface Transportation Corporation is liable for the payment of these bonds to the extent revenue from those payments is available. The fees charged by bond counsel, financial advisors, and other consultants shall be paid from bond proceeds to the extent permitted by law and, or if to the extent not paid from bond proceeds, shall be the responsibility of the developer. The Texas Private Activity Bond Surface Transportation Corporation has loans receivable from the developers for the same amount as the bond liability. As of August 31, 2010, no other transportation corporation has issued bonds.

The Commission approves the creation of transportation corporations, approves the articles of incorporation, appoints directors, and approves by-laws. At any time, the Commission may terminate and dissolve the corporation. In the event of dissolution or liquidation of the corporation, all assets shall be turned over to the department.

D. Basis of Accounting

The basis of accounting determines when revenues and expenditures are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and agency funds are accounted for on the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Governmental adjustment fund types that build the government-wide financial statements are accounted for using the full accrual method of accounting. This includes capital assets and unpaid employee compensable leave.

A proprietary fund is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. A proprietary fund distinguishes operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Operating expenses for an enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

E. Budgets and Budgetary Accounting

(1) General Budget Policies

The Texas Department of Transportation's budget is prepared on a performance-based concept, and is represented by biennial appropriations authorized by the legislature, and approved by the governor. Encumbrance accounting is employed for budgetary control purposes.

(2) Encumbrances

An encumbrance is defined as a purchase order for equipment ordered but not yet received as of the end of the fiscal year, contracts awarded for buildings and land, or contracts awarded to reimburse grantees. Highway

construction contracts, spot purchases, and other contract obligations extending beyond the current year are not reported as encumbrances, in accordance with Comptroller requirements. Encumbrances are included in the accounts to reserve a portion of fund equity for future obligations. At year end, encumbrances are reported as a category of the fund equity section of the balance sheet.

F. Assets, Liabilities and Fund Balance

(1) Cash and Cash Equivalents

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents. On the Statement of Cash Flows, cash and cash equivalents are considered to be cash in bank, cash in State Treasury, and money market funds with original maturities of three months or less from the date of acquisition.

(2) Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of enterprise fund notes/loans, revenue bonds, and revenues set aside for statutory or contractual requirements.

(3) Consumable Inventories

Inventory items are reported at a weighted-average cost. The inventory consists of supplies and roadway materials on hand for future use. Governmental accounting principles allow the costs to be reported as an expenditure of the purchasing fund when the items are acquired or deferred until the items are used. Comptroller policy requires that the consumption method of accounting be used to account for inventories and prepaid items, and that the cost of these items be expensed when the items are consumed. Inventories are also reported in the fund equity section as a reservation of fund equity, to show they do not constitute future spendable resources, even though they are a component of current assets. Included in inventories were prepaid postage items totaling \$221,083 as of August 31, 2010.

(4) Notes/Loans Receivable

The Fund 1 account represents loans to:

City of Castroville	\$199,178
City of Hondo	130,328
City of Paris	9,216
Zapata County	<u>7,075</u>
Total Fund 1	<u>\$345,797</u>

Of the total in Fund 1, receivables due within one year from August 31, 2010 \$54,590

The Fund 6 account represents loans to:

Alamo Regional Mobility Authority	\$14,819,690
Cameron County Regional Mobility Authority	5,131,740
Camino Real Regional Mobility Authority	961,405
Grayson County Regional Mobility Authority	99,606
North East Texas Regional Mobility Authority	10,922,569
Total Fund 6	<u>\$31,935,010</u>

In Fund 6, these amounts are considered long-term receivables

The Fund 99 account represents loans to:

Brazoria County	\$218,279
Central Texas Regional Mobility Authority	31,610,000
City of Anthony	172,982
City of Atlanta	680,023
City of Baytown	779,079
City of Cameron	372,445
City of Center	353,241
City of Domino	57,767
City of Easton	80,249
City of El Paso	9,427,577
City of Florence	138,190
City of Gregory	42,593
City of Horizon City	138,115
City of Kerrville	1,449,483
City of Kyle	11,000,000
City of Laredo	19,500,000
City of Mesquite	4,035,072
City of Pinehurst	151,722
City of Pottsboro	425,392
City of Rockdale	400,402
City of Rosenberg	1,080,558
City of Round Rock	32,552,396
City of Seguin	157,521
City of Sinton	71,855
City of Socorro	259,461
City of Stamford	275,013
City of Weatherford	416,666
City of Winnsboro	79,050
Culleoka Water Supply Corporation	562,469
Duck Creek Water Supply Corporation	157,467
Goliad County	93,374
Hidalgo County	1,892,613
Liberty City Water Supply Corporation	830,181
Mission Redevelopment Authority	2,691,165
North Texas Tollway Authority	135,000,000
Olmito Water Supply Corporation	474,203
Wise County	3,025,000
Total Fund 99	<u>\$260,651,603</u>

Of the total in Fund 99, principal amounts due within one year from August 31, 2010

\$9,039,000

The Fund 999 account represents loans to:	
NTE Mobility Partners LLC	\$380,065,462
LBJ Infrastructure LLC	<u>602,547,137</u>
Total Fund 999	<u>\$982,612,599</u>
Of the total in Fund 999, receivables due within one year from August 31, 2010	<u>\$12,738,576</u>

(5) Capital Assets

Assets with an initial, individual cost at or above the thresholds established by the Texas Comptroller of Public Accounts and having an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost if purchased, or if not purchased, at the appraised fair value of the assets as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all “exhaustible” assets. “Inexhaustible” assets such as land are not depreciated. The roads and highway system for which the Texas Department of Transportation is responsible are reported on the modified basis. Assets, including bridges, are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at fair market value on the date of acquisition. Interest and amortization expenses, net of interest income, incurred during construction are capitalized. As permitted by GASB Statement No. 34, Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB 34), the State of Texas has adopted the modified approach for reporting its highway system. Depreciation will be calculated on bridges and infrastructure assets not included as part of the highway system.

The Department reports condition assessments on the highway system based solely on the results of its Texas Maintenance Assessment Program (TxMAP). TxMAP involves yearly condition assessments (GASB requirement is every three years) which determine the overall condition levels of the Interstate and Non-Interstate highway systems. The Texas Transportation Commission has adopted condition levels of 80% for the Interstate system and 75% for the Non-Interstate system based on condition assessments conducted under TxMAP. In fiscal year 2008, the Department began evaluating the Central Texas Turnpike System (CTTS) using TxMAP and adopted a minimum condition level of 80% for the CTTS.

(6) Non-Current Assets

For special revenue funds, the category of “Other Non-Current Assets” represents long-term interest receivables on Notes and Loans.

Implementation of GASB statement No. 53 during fiscal year 2010 required the recognition of derivative investment instruments in the statement of net assets. The Mobility Fund’s derivative investment instruments are recorded at fair value as a non-current asset.

For the proprietary funds, the costs associated with debt issuance totaled \$61,104,647. These costs are not reported as an expense of the period in which they were incurred, but instead are reported as an adjustment to

interest expense throughout the period during which the related debt is outstanding. Unamortized deferred charges equaled \$39,681,726 as of August 31, 2010.

(7) Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

(8) Contracts Payable

Contracts Payable represents the amount of contract retainage held in the State Highway Fund or in a contractor's local bank on highway construction contracts. State law permits the department to allow the contractor to have the retainage held in a bank of his choice rather than in the state treasury. Departmental policy limits this to individual contracts exceeding \$300,000. For contracts under \$300,000, the retainage is kept in the state treasury. In either case, the retained cash still belongs to the State Highway Fund until released to the contractor. By law, interest earned on the bank deposits belongs to the contractors.

(9) Deferred Revenues

In fiscal year 2008, TxDOT received \$3,197,104,248 in surplus tolls from the North Texas Tollway Authority (NTTA) for the development of SH 121 and received \$25,750,778 of Comprehensive Development Agreement (CDA) receipts from Cintra Zachry Construction for the development of segments 5 and 6 of SH 130. These revenues will be recognized over the life of the agreements. In fiscal years 2009 and 2010, \$63,942,085 of the SH 121 receipt was recognized as revenue each fiscal year. Please see Note 1 H(4). These receipts along with deferred federal revenue, construction and other escrow accounts and other funds collected but not earned make up this balance.

(10) Employees' Compensable Leave Balances

Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or non-current in the Statement of Net Assets.

(11) Bonds Payable – General Obligation Bonds

General Obligation bonds relate to the Texas Mobility Fund (365) and are accounted for in the Long-Term Liabilities Adjustment Fund Type. Premiums and discounts are reported as "interest and investment income" in the period the bonds are sold. Payables are reported separately as either current or non-current in the statement of net assets.

(12) Bonds Payable – Revenue Bonds

Revenue bonds are accounted for in the State Highway Fund (006), the Turnpike Authority Project Disbursing Account (865), and Local Fund (999). The Revenue bonds related to the State Highway Fund are accounted for in

the Long-Term Liabilities Adjustment Fund Type. Premiums and Discounts are reported as “interest and investment income” in the period the bonds are sold. The bonds payable related to the Turnpike Authority Project Disbursing Account are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or non-current in the statement of net assets.

(13) Pollution Remediation Obligations

Pollution Remediation Obligations are accounted for in the long-term liabilities adjustment column for governmental activities. These obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The obligations are reported separately as either current or non-current in the Statement of Net Assets.

(14) Reservations of Fund Balance

(a) Reserved for Encumbrances - This represents commitments of the value of contracts awarded or assets ordered prior to year-end, but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

(b) Reserved for Imprest Accounts - This represents funds held for travel advances and petty cash as of August 31, 2010.

(c) Reserved for Inventories - This represents the amount of inventories held to be used in future periods.

(d) Reserved for Loans & Contracts – This represents the long term amount of loans and contracts.

(e) Unreserved - This amount represents the unexpended balance at year end which is available for use in subsequent years.

G. Net Assets – The difference between fund assets and liabilities is ‘Net Assets’ on the government-wide, proprietary fund statements.

(1) Invested In Capital Assets, Net of Related Debt

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt (net of unspent proceeds) that are attributed to the acquisition, construction, or improvement of those assets.

(2) Restricted Net Assets

Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Restricted assets expected to be used for debt service payments in the next twelve months are classified as current

assets. There were no restricted net assets as of August 31, 2010.

(3) Unrestricted Net Assets

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management, but which can be removed or modified. There were no unrestricted net assets as of August 31, 2010.

H. Revenues, Expenditures, Transfers, and Restatements

(1) Taxes

This represents state sales tax from the sale of lubricants (6.25%), as estimated by the Texas Comptroller of Public Accounts, which is deposited to the State Highway Fund.

(2) Federal Revenues

The department receives a substantial portion of its revenues from the Federal Highway Administration, which reimburses the department for certain costs incurred for engineering, construction, right-of-way acquisition, research activities, and general and administrative costs. Federal reimbursement is based on a percentage of the costs expended from state funds on approved projects. The percentage of reimbursement for allowable costs varies from 50 to 100 percent.

The reimbursements by the Federal Highway Administration are based on apportionments to the states from the Federal Highway Trust Fund on a federal fiscal year basis. State plans for construction projects must be approved by the Federal Highway Administration within a given period to be eligible for the apportionments. The below apportionments are shown after rescissions. The fiscal year 2009 amount was reduced by two rescissions, one of which was reversed after fiscal year 2009. That apportionment was made available in fiscal year 2010 and is included in the fiscal year 2009 amount.

<u>Fiscal Year</u>	<u>Apportionments</u>
2010	\$ 3,057,925,060
2009	2,878,514,243
2008	2,694,315,668
2007	2,641,346,075
2006	2,287,650,482

The department receives federal funds from the National Highway Traffic Safety Administration in support of the State Traffic Safety Program. Federal participation consists of reimbursement for costs expended on approved traffic safety projects.

The department receives funds from the U.S. Federal Transit Administration (FTA) for costs incurred in the

administration and technical support of the Public Transportation Program. The FTA sets the maximum amount allowable each fiscal year, and the department is reimbursed for its administrative expenditures up to that amount. The department also receives funds from FTA in support of Rural Public Transportation Projects and the Improved Mobility of Elderly Persons and Persons with Disabilities.

Additionally, the department receives federal funds from the Federal Aviation Administration for the airport improvement program and receives some federal funds directly from the U.S. Department of Transportation for the state and community highway safety program.

The American Recovery and Reinvestment Act of 2009 enabled issuance of taxable Build America Bonds (BABs) by providing a federal interest rate subsidy payment equal to 35% of the interest expense paid on the BABs. Current guidance suggests that this federal payment be characterized as "Federal Revenue" for financial accounting and reporting purposes.

(3) Federal Pass-Through Revenues

Federal pass-through revenues represent amounts passed through to the department from the Texas Department of Public Safety for Department of Homeland Security rail and transit security grants and disaster assistance grants, public assistance grants, from the Texas Health and Human Services Commission for Department of Health and Human Services medical transportation program grants and from the Texas Facilities Commission for General Services Administration federal surplus personal property. See Schedule 1A.

(4) Licenses, Fees, and Permits

This account includes certificate of title fees, motor vehicle registration fees, and outdoor advertising license and permit fees. As of November 1, 2009, all of these revenues, except for outdoor advertising license and permit fees, are being collected by the Texas Department of Motor Vehicles.

The Certificate of Title Act was administered by the department through October 31, 2009, with the various counties of the state acting as its agent. Twenty-eight dollars or \$33.00 is charged for the issuance or reissuance of a Certificate of Title. Fifteen or twenty dollars goes to General Revenue Fund Account 5071-Emission Reduction Plan. The county retains \$5.00 and remits the remaining \$8.00 as follows: three dollars (\$3) to the State Highway Fund, and five dollars (\$5) to the General Revenue Fund. As of November 1, 2009, these fees are being collected by the Texas Department of Motor Vehicles. Fifteen dollars of each title in a non-attainment county will continue to be deposited to the Texas Mobility Fund.

Through October 31, 2009, motor vehicle registration fees were collected by the county tax assessor-collector and remitted to the department after service fees and a statutory apportionment to the County Road and Bridge Fund, a non-Texas Department of Transportation activity, were deducted. The service fee is \$1.90 for each receipt issued. The apportionments to a County Road and Bridge Fund are 100 percent of the first \$60,000 of collections net of service fees; 100 percent of net collections equal to \$350 per mile of county-maintained roads up to 500 miles (\$175,000); 70% of the 5% of the tax and penalties collected on the sales of motor vehicles in the county during the

preceding calendar year; and 50 percent of the next \$250,000 of net collections. Thus the maximum amount apportioned to any County Road and Bridge Fund is \$360,000 plus 70% of the 5% of the preceding year's motor vehicle sales tax collections. The remainder of the fees is remitted by the counties to the department for deposit in the State Highway Fund. As of November 1, 2009, these fees are being collected by the Texas Department of Motor Vehicles.

For fiscal year 2005, counties retained 100% of the 5% of their Motor Vehicle Sales Tax allocation from their Vehicle Registration collections as part of the county road and bridge formula. Beginning in fiscal year 2006, counties began to retain 10% of the motor vehicles sales tax allocation directly from motor vehicle sales tax collections while the remainder continues to be retained from vehicle registration fees. This annual reallocation will continue until the motor vehicle sales tax allocation is fully funded from Motor Vehicle Sales tax collections.

In fiscal year 2008, TxDOT received \$3,197,104,248 in surplus tolls from the North Texas Tollway Authority (NTTA) for the development of SH 121 and received \$25,750,778 of CDA receipts from Cintra Zachry Construction for the development of segments 5 and 6 of SH 130. The State's agreements with these entities provide for the leasing of the 'right' to build and operate a toll road to the entity for a specified period of time. Under each of these two agreements, the toll road reverts back to the state at the end of the 50 year period. These receipts are restricted to use only for the benefit of the relevant region or district, but belongs to the State. At the present time, the Governmental Accounting Standards Board (GASB) has not formed an opinion on the accounting for these upfront payments, but plans to in the near future. Since GASB has not formed an opinion, TxDOT will amortize the revenue over the life of the agreement for financial reporting purposes, consistent with governmental entities handling of similar upfront revenue from Public-Private Partnerships. Neither of these receipts was amortized in fiscal year 2008. In fiscal years 2009 and 2010, \$63,942,085 of the SH 121 receipt was recognized as revenue each fiscal year. None of the SH 130 CDA receipt was recognized as revenue during fiscal year 2010.

The Texas Mobility Fund fee revenue is comprised of United We Stand License Fees, Motor Vehicle Inspection Fees, Driver Record Information Fees, Driver License Fees, Certificate of Title Fees, and Motor Carrier Act Penalties.

Most revenues in the Texas Highway Beautification fund account in the General Revenue Fund are obtained from outdoor advertising license and permit fees.

(5) Other Revenues

This account includes collection of damages which are recognized on the modified accrual basis, recognizing the receivable and revenue when the damages occurred, rather than when collected.

Section 201.109 of the Transportation Code concerning Revenue Enhancement states that the department shall adopt a program to enhance existing, and to generate alternate, sources of revenue. In accordance with this, the department has initiated an action plan to enhance revenue by leasing right-of-way, such as rest areas, to commercial enterprises.

The department, through its toll road operations, has entered into agreements with local governments whereby the local governments transfer funds to the department to fund purchases of right of way land and related costs. In some instances, funds are paid for in advance by the local governments. TxDOT policy is to defer recognition of this revenue until the right of way parcels are purchased. Recognition of these monies paid in advance by local governments is contingent upon the department purchasing the parcels for the stated purpose in the agreement.

(6) Pass-Through Expenditures

During fiscal year 2010, the department made numerous GASB 24 Federal and State Pass-Through payments to different agencies. See Schedule 1A and Schedule 1B.

(7) Operating Transfers In/Out

During fiscal year 2010, the department had numerous transfers between funds and agencies. Individual interfund and intrafund transfers at August 31, 2010, were as follows:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>REFERENCE</u>
\$	\$		
Appd Fund 0001, D23 Fund 0001:			
(Agency 902, Appd Fund 0001)		(2,938)	(a)
Total Transfers for D23 Fund 0001		(2,938)	
Appd Fund 0006, D23 Fund 0006:			
(Agency 241, Appd Fund 0006)		1,052,257	(b)
(Agency 302, Appd Fund 0006)		7,503,504	(c)
(Agency 320, Appd Fund 0006)		(441,752)	(d)
(Agency 347, Appd Fund 0507)		309,426	(e)
(Agency 347, Appd Fund 0735)		6,296	(e)
(Agency 360, Appd Fund 0006)		3,836,745	(f)
(Agency 405, Appd Fund 0001)		39,874,724	(g)
(Agency 405, Appd Fund 0006)		515,554,790	(g)
(Agency 529, Appd Fund 0006)		49,850	(h)
(Agency 582, Appd Fund 0006)		81,245,079	(i)
(Agency 601, Appd Fund 0008)		237,227,386	(j)
(Agency 601, Appd Fund 0365)	263,724,988		(k)
(Agency 601, Appd Fund 0865)		35,527,692	(l)
(Agency 608, Appd Fund 0006)	888,036,684		(m)
(Agency 727, Appd Fund 0001)		7,711,969	(n)
(Agency 902, Appd Fund 0001)	2,230,071,855		(o)
Total Transfers for D23 Fund 0006	3,381,833,527	929,457,966	

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>REFERENCE</u>
	\$	\$	
Appd Fund 0008, D23 Fund 0010: (Agency 601, Appd Fund 0006)	237,227,386		(j)
Total Transfers for D23 Fund 0010	<u>237,227,386</u>		
Appd Fund 0036, D23 Fund 0036: (Agency 454, Appd Fund 0036)	750,000		(p)
Total Transfers for D23 Fund 0036	<u>750,000</u>		
Appd Fund 0365, D23 Fund 0375/ 0377: (Agency 601, Appd Fund 0006)		263,724,988	(k)
Total Transfers for D23 Fund 0375/0377		<u>263,724,988</u>	
Appd Fund 0865, D23 Fund 0865: (Agency 601, Appd Fund 0006)	35,527,692		(l)
Total Transfers for D23 Fund 0865	<u>35,527,692</u>		
Appd Fund 7604, D23 Fund 7604: (Agency 347, D23 Fund 7604)	25,857,905		(q)
Total Transfers for D23 Fund 7604	<u>25,857,905</u>		
Total (Exh.II & Exh.IV)	\$ <u>3,681,196,510</u>	\$ <u>1,193,180,016</u>	

- (a) This reflects amounts transferred from the Comptroller's Office in accordance with Texas Government Code 2175.191.
- (b) This reflects amounts provided from the State Highway Fund to the Judiciary Section of the Texas Comptroller of Public Accounts, in accordance with statutory requirements.
- (c) This reflects amounts provided from the State Highway Fund to the Attorney General's Office, in accordance with statutory requirements.
- (d) This reflects amounts provided to the State Highway Fund from the Texas Workforce Commission, in accordance with statutory requirements.
- (e) This reflects amounts provided from the State Highway Fund for the Master Lease Purchase Program (MLPP) related to equipment capital leases for the aircraft equipment capital leases. Even though this agency makes these MLPP payments, the associated long-term liability is reported on the financial statements of the Texas Public Finance Authority.

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- (f) This reflects amounts provided from the State Highway Fund to the State Office of Administrative Hearings, in accordance with statutory requirements.
 - (g) This reflects amounts provided from the State Highway Fund to the Department of Public Safety, in accordance with statutory requirements.
 - (h) This reflects amounts provided from the State Highway Fund to the Health and Human Services Commission, in accordance with statutory requirements.
 - (i) This reflects amounts transferred from the State Highway Fund to the Texas Commission on Environmental Quality, in accordance with statutory requirements.
 - (j) This reflects amounts transferred from the State Highway Fund to the State Highway Debt Service Fund.
 - (k) This reflects the amounts transferred from the Texas Mobility Fund to the State Highway Fund to speed up the completion of various transportation projects.
 - (l) This reflects amounts transferred from the State Highway Fund to the Turnpike Authority Project Disbursing Account.
 - (m) This reflects amounts provided from the Department of Motor Vehicles to the State Highway Fund, in accordance with statutory requirements.
 - (n) This reflects amounts provided from the State Highway Fund to the Texas Transportation Institute, in accordance with statutory requirements.
 - (o) This primarily represents the transfer of gallonage taxes on motor fuels sold in Texas, collected by the Texas Comptroller of Public Accounts and transferred to the State Highway Fund. The distribution of these taxes, which are constitutionally dedicated revenues, is as follows:

Gasoline Tax - Generally, twenty cents per gallon is collected on all gasoline sold for highway use. Sales for the exclusive use of the federal government or a public school district in Texas, are exempt.

The Texas Comptroller of Public Accounts retains 1 percent of the gross receipts for administration and enforcement, and after providing for refunds of non-highway use collections, distributes the remainder:

- a. Available School Fund 25%
- b. State Highway Fund 75%, less \$7,300,000 deposited to the County and Road District Highway Fund

Diesel Fuel Tax - Twenty cents per gallon is collected. Federal government and Texas public school sales are exempt.

The Texas Comptroller of Public Accounts retains 1 percent of gross receipts for administration and enforcement, and after providing for refunds of non-highway use collections, distributes the remainder:

a. Available School Fund	25%
b. State Highway Fund	75%

Liquefied Gas Tax - Fifteen cents per gallon is collected for gas used in motor vehicles on public highways. Sales for the exclusive use of the federal government, local county government, or a public school district in Texas, are exempt. Users of liquefied gas for propulsion of motor vehicles on public highways are required to prepay the tax each year by purchasing a liquefied gas tax permit decal. The tax is based on the weight of the vehicle and the miles driven. Certain transit companies pay a flat fee of \$444 for the liquefied gas tax permit decal.

The Texas Comptroller of Public Accounts retains 1 percent of gross receipts for administration and enforcement, and after providing for refunds of non-highway use collections, distributes the remainder:

a. Available School Fund	25%
b. State Highway Fund	75%

(p) This reflects amounts provided from the Texas Department of Insurance for Crash Information System expenditures in Fund 0036, in accordance with statutory requirements.

(q) This reflects amounts provided from the Texas Public Finance Authority to the Capital Projects Fund 7604, in accordance with statutory requirements.

(8) Legislative Transfers In/Out

During fiscal year 2010, the following transfer was made to the Department of Motor Vehicles in accordance with statutory requirements. The transfer at August 31, 2010 is reflected below:

	<u>LEGISLATIVE TRANSFERS IN</u>	<u>LEGISLATIVE TRANSFERS OUT</u>
	\$	\$
Appd Fund 0001, D23 Fund 0001: (Agency 608, Appd Fund 0001)	0	14,763,393
Total (Exh.II)	\$ 0	\$ 14,763,393

Note 2 - Capital Assets
A summary of changes in Capital Assets for the year ended August 31, 2010 is presented below:

	PRIMARY GOVERNMENT							
	Balance 09/01/09	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'gy Trans	Reclassifications Dec-Int'gy Trans	Additions	Deletions	Balance 08/31/10
GOVERNMENTAL ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Land and Land Improvements	\$ 7,740,350,256	\$ (110,829,589)	\$ -	\$ -	\$ -	\$ 281,369,759	\$ (376,279)	\$ 7,910,514,147
Infrastructure	45,858,287,285	113,152,444	1,723,417,974	0	0	218,968,867	0	47,913,826,570
Construction in Progress	3,930,528,363	(1,857,984)	(2,493,658,170)	0	(365,707)	2,590,836,316	0	3,725,482,818
Land Use Rights	0	53,539,274	0	0	0	6,525,118	(15,955)	60,048,437
Total Non-depreciable or Non-amortizable Assets	57,529,165,904	54,004,145	(770,240,196)	0	0	2,797,700,060	(392,234)	59,609,871,972
Depreciable Assets								
Buildings and Building Improvements	304,187,654	(7,045,757)	56,679,358	0	0	0	0	353,821,255
Infrastructure	18,381,271,458	(113,152,445)	713,092,826	0	0	0	(130,593,239)	18,850,618,600
Furniture and Equipment	174,593,080	(18,461,287)	0	32,546	(2,229,962)	6,378,311	(4,194,992)	156,117,696
Vehicle, Boats and Aircraft	636,192,931	75,040	0	35,894	(847,482)	17,138,083	(25,865,276)	626,729,240
Other Capital Assets	10,327,994	0	468,012	0	0	0	0	10,796,006
Total Depreciable Assets	19,506,573,117	(138,584,449)	770,240,196	68,440	(3,077,444)	23,516,394	(160,653,457)	19,998,082,797
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(159,415,020)	6,693,469	0	0	0	(11,340,763)	0	(164,062,314)
Infrastructure	(10,128,047,537)	65,276,189	0	0	0	(590,763,177)	114,386,272	(10,539,148,253)
Furniture and Equipment	(120,724,583)	14,935,787	0	(9,812)	2,014,625	(9,187,319)	3,745,950	(109,225,352)
Vehicle, Boats and Aircraft	(362,723,584)	(86,914)	0	(598)	595,339	(31,537,095)	22,254,247	(371,498,605)
Other Capital Assets	(3,250,276)	0	0	0	0	(488,851)	0	(3,739,127)
Total Accumulated Depreciation	(10,774,161,000)	86,818,531	0	(10,410)	2,609,964	(643,317,205)	140,386,469	(11,187,673,651)
Depreciable Assets, Net	8,732,412,117	(51,765,918)	770,240,196	58,030	(467,480)	(619,800,811)	(20,266,988)	8,810,409,146
Amortizable Assets - Intangible								
Land Use Rights	0	31,450,215	0	0	0	3,832,817	(13,087,260)	22,195,772
Computer Software	0	18,279,769	0	8,850	(211,358)	396,950	(348,480)	18,125,731
Total Amortizable Assets - Intangible	0	49,729,984	0	8,850	(211,358)	4,229,767	(13,435,740)	40,321,503
Less Accumulated Amortization for:								
Land Use Rights	0	(12,299,455)	0	0	0	(4,348,175)	12,072,427	(4,575,203)
Computer Software	0	(15,655,903)	0	(5,015)	200,585	(820,847)	294,326	(15,986,854)
Total Accumulated Amortization	0	(27,955,358)	0	(5,015)	200,585	(5,169,022)	12,366,753	(20,562,057)
Amortizable Assets - Intangible, Net	0	21,774,626	0	3,835	(10,773)	(939,255)	(1,068,987)	19,759,446
Governmental Activities Capital Assets, Net	\$ 66,261,578,021	\$ 24,012,853	\$ -	\$ 61,865	\$ (843,960)	\$ 2,176,959,994	\$ (21,728,207)	\$ 68,440,040,564
	(10,774,161,000)	86,818,531	0	(10,410)	2,609,964	(643,317,205)	140,386,469	(11,187,673,651)
	8,732,412,117	(51,765,918)	770,240,196	58,030	(467,480)	(619,800,811)	(20,266,988)	8,810,409,146
	0	31,450,215	0	0	0	3,832,817	(13,087,260)	22,195,772
	0	18,279,769	0	8,850	(211,358)	396,950	(348,480)	18,125,731
	0	49,729,984	0	8,850	(211,358)	4,229,767	(13,435,740)	40,321,503
	0	(12,299,455)	0	0	0	(4,348,175)	12,072,427	(4,575,203)
	0	(15,655,903)	0	(5,015)	200,585	(820,847)	294,326	(15,986,854)
	0	(27,955,358)	0	(5,015)	200,585	(5,169,022)	12,366,753	(20,562,057)
	0	21,774,626	0	3,835	(10,773)	(939,255)	(1,068,987)	19,759,446
	\$ 66,261,578,021	\$ 24,012,853	\$ -	\$ 61,865	\$ (843,960)	\$ 2,176,959,994	\$ (21,728,207)	\$ 68,440,040,564

	PRIMARY GOVERNMENT							
	Balance 09/01/09	Adjustments	Reclassifications Completed CIP	Reclassifications Inc-Int'gy Trans	Reclassifications Dec-Int'gy Trans	Additions	Deletions	Balance 08/31/10
BUSINESS-TYPE ACTIVITIES								
Non-depreciable or Non-amortizable Assets								
Land and Land Improvements	\$ 638,428,380	\$ (7,221,512)	\$ -	\$ -	\$ -	\$ 233,197	\$ -	\$ 631,440,065
Infrastructure	1,622,485,833	(9,767,974)	18,318,843	0	0	0	0	1,631,036,702
Construction in Progress	0	0	(18,318,843)	0	0	18,318,843	0	0
Land Use Rights	0	16,525,986	0	0	0	0	0	16,525,986
Total Non-depreciable or Non-amortizable Assets	2,260,914,213	(463,500)	0	0	0	18,552,040	0	2,279,002,753
Depreciable Assets								
Buildings and Building Improvements	8,360,006	0	0	0	0	0	0	8,360,006
Infrastructure	421,926,397	(724,500)	0	0	0	0	0	421,201,897
Total Depreciable Assets	430,286,403	(724,500)	0	0	0	0	0	429,561,903
Less Accumulated Depreciation for:								
Buildings and Building Improvements	(1,268,335)	0	0	0	0	(361,000)	0	(1,629,335)
Infrastructure	(39,859,731)	14,490	0	0	0	(16,991,296)	0	(56,836,537)
Total Accumulated Depreciation	(41,128,066)	14,490	0	0	0	(17,352,296)	0	(58,465,872)
Depreciable Assets, Net	389,158,337	(710,010)	0	0	0	(17,352,296)	0	371,096,031
Business-Type Activities Capital Assets, Net	\$ 2,650,072,550	\$ (1,173,510)	\$ -	\$ -	\$ -	\$ 1,199,744	\$ -	\$ 2,650,098,784

NOTE 3 - DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

TxDOT is authorized by statute to make investments following the “prudent person rule.” TxDOT has complied, in all material respects, with statutory authorization, bond documents, constraints and commission policies during the period.

Deposits of Cash in Bank

As of August 31, 2010, the carrying amount of deposits was \$378,629,833 as presented below.

Governmental and Business-Type Activities	
Cash in Bank – Carrying Amount	\$359,147,534
Total Cash in Bank per AFR	\$359,147,534
Governmental Funds Current Assets Cash in Bank	\$40,764,819
Proprietary Funds Current Assets Money Market and Similar Funds	318,382,715
Cash in Bank per AFR	\$359,147,534

Fiduciary Funds	
Cash in Bank – Carrying Amount	\$19,482,299
Total Cash in Bank per AFR	\$19,482,299
Fiduciary Fund Current Assets Cash in Bank	\$46,336
Fiduciary Fund Current Assets Money Market and Similar Funds	19,435,963
Cash in Bank per AFR	\$19,482,299

These amounts consist of all cash and cash equivalents in local banks. These amounts are included on the Combined Statement of Net Assets as part of the “Cash and Cash Equivalents” accounts.

As of August 31, 2010, the total bank balance was as follows.

Governmental and Business-Type Activities	\$359,147,534	Fiduciary Funds	\$19,482,299
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Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. All of the department’s deposits are held in the State Treasury, the Trustee bank, or a depository bank. Deposits of the State of Texas are normally managed by the State Comptroller of Public Accounts (the “Comptroller”) and are protected by \$250,000 of insurance by the Federal Deposit Insurance Corporation (FDIC). On August 10, 2010, the FDIC Board of Directors adopted a final rule amending its insurance regulations to permanently increase the standard maximum deposit insurance amount from \$100,000 to \$250,000. The permanent increase became effective July 22, 2010.

Collateral pledged must be equal to at least 105% of the principal amount deposited by the Department. The Comptroller has full responsibility for insuring adequate collateralization of all state deposits, including those held in local banks. On August 31, 2010, the State Treasury deposits were fully collateralized with securities held by an agent of the

Comptroller, in the Department's name, in accordance with the Comptroller's requirements. Depository and custodial accounts held by Wachovia and Frost Bank are both insured as of August 31, 2010.

Investments

As of August 31, 2010, the fair value of CTTS investments and maturities are as presented below:

Investment Type	Maturities (in Years)		Fair Value
	Less than 1	More than 5	Total
U.S. Government Agency Obligations	\$15,029,000		\$15,029,000
Repurchase Agreement (Salomon Smith Barney Master GIC, now owned by Citigroup, Inc.)		\$114,999,378	114,999,378
Total	\$15,029,000	\$114,999,378	\$130,028,378

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the direct counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy states that all securities purchased by the Commission shall be designated as assets of the Commission and shall be protected through the use of a third-party custody/safekeeping agent, which may be a Trustee. As of August 31, 2010, the Commission's investments in U.S. Government Agency obligations were held in the Commission's name. The repurchase agreement is collateralized with U.S. Government and Agency securities. Collateral for the repurchase agreement is held by the Bank of New York Mellon Trust Company with the underlying securities being the property of the Citigroup, Inc., (the direct counterparty), held in trust for the Commission. Bank of New York Mellon Trust Company is rated Aaa, AA, and AA- by Moody's, Standard and Poor's (S & P), and Fitch Ratings respectively.

Credit Risk - Investments

Direct credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission may not enter into long term investment agreements or other ongoing investment transactions with a final maturity or termination date of longer than six months with any financial institution that initially has a long term rating category of less than "A" and that doesn't have at least one long-term rating of at least "AA" by a nationally recognized investment rating firm according to the Commission's Investment Policy. All investments made by the Commission have been through the list of Qualified Financial Institutions approved by the Commission. The Commission's policy does not limit the amount of investment in obligations of the United States or its agencies. These securities are rated Aaa and AAA by Moody's and S & P rating agencies, therefore the risk of default is considered remote. The repurchase agreement is a guaranteed investment contract (GIC) with Citigroup, Inc. as the counterparty. Citigroup, Inc. is rated A3, A, and A+ by Moody's, (S & P), and Fitch Ratings respectively. In addition, Citigroup, Inc. has collateralized the GIC with U.S. Government and Agency securities.

As of August 31, 2010, TxDOT's investments had the following ratings.

Investment Type	Fair Value	Moody's Rating	S & P Rating	Fitch Rating
U.S. Government Agency Obligations	\$15,029,000	Aaa	AAA	NR*
Repurchase Agreement (Salomon Smith Barney Master GIC, now owned by Citigroup, Inc.)	114,999,378	A3	A	A+
Total	\$130,028,378			

*NR= Not Rated

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The only investment that the Commission holds that exceeds 5% of the total investments is the repurchase agreement. This investment is held primarily for the debt service reserve fund, which has a long term duration and a specific purpose. The Commission addresses diversification in the Commission's Investment Policy. Assets held in particular funds shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Investment Officer for all funds.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission has addressed interest rate risk in its various accounts by matching as closely as possible anticipated cash flows with income and return of principal on investments. Interest rate risk was essentially eliminated in the Capitalized Interest account as investments have been made such that securities mature on debt service payment dates and will not need to be liquidated prior to maturity. For variable rate bonds, an estimated draw amount was used to account for the fluctuating nature of the interest payments at a rate higher than current market in order that securities will not need to be liquidated or sold prior to their stated maturities. In general, all securities held by the Commission are anticipated to be held to maturity, thereby avoiding interest rate risk due to an early redemption. Additionally, security maturities were staggered and in the event the sale of security was required to meet unexpectedly higher construction draws, the proximity of the security to its stated maturity date will minimize the impact of interest rate fluctuations. For investment maturities, see the table on page 37.

Foreign Currency Risk – Investments

The department's investments are not exposed to foreign currency risk.

Derivatives

Pay-Variable, Receive-Variable Interest Rate Swaps

The fair value balances and notional amounts of derivative instruments outstanding at August 31, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements:

	Changes in Fair Value		Fair Value at August 31, 2010		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Investment Derivatives:					
Receive-Fixed Interest Rate Swaps (JPM)	Investment Revenue	\$ 1,035,449	Investment	\$ 4,411,326	\$ 200,000,000
Receive-Fixed Interest Rate Swaps (MS)	Investment Revenue	\$ 626,713	Investment	\$ 2,170,879	\$ 100,000,000
Receive-Fixed Interest Rate Swaps (GSMMDP)	Investment Revenue	\$ 482,941	Investment	\$ 2,314,651	\$ 100,000,000
		\$ 2,145,103		\$ 8,896,856	
Note:					
	JPM=J.P. Morgan Chase Bank, N.A.				
	MS=Morgan Stanley Capital Services, Inc.				
	GSMMDP=Goldman Sachs Mitsui Marine Derivative Products				

As of August 31, 2010, the fair value of investment derivative instruments and maturities are as follows:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment Derivative Instruments	\$8,896,856	\$ -	\$ -	\$ -	\$8,896,856

The fair values of the interest rate swaps were estimated using a proprietary pricing service.

The Commission is a party to three pay-variable, receive-variable constant maturity swaps (CMS basis swaps) associated with the Commission's State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. Under the original terms of the transactions, the Commission pays the Securities Industry and Financial Markets Association (SIFMA) index weekly tax exempt rate and receives 69.42% of the 10 year LIBOR Swap Index taxable rate. In late calendar year 2009 the slope of the 10 year London InterBank Offered Rate (LIBOR) Swap yield curve had steepened, allowing the negotiation of a fixed monthly cash flow annuity benefit on all three transactions. Thus, on December 3, 2009, the exchange of basis payments on the \$200 million transaction with J.P. Morgan Chase Bank, N.A. (JPM) and the \$100 million transaction with Morgan Stanley Capital Services Inc. (MS) were suspended for a period of approximately three years. The exchange of basis payments on the \$100 million transaction with Goldman Sachs Mitsui Marine Derivative Products (GSMMDP) was suspended for a period of approximately three years on December 8, 2009. For the three year suspension period, the exchange of payments will cease and the Commission will receive fixed monthly annuities as consideration for the suspension. The swaps will continue to be outstanding obligations that have value, as indicated through the periodic mark-to-market valuations. At the end of the three year suspension period, the exchange of payment terms for the three transactions will revert back to the provisions originally entered into.

ORIGINAL TERMS OF THE \$400 MILLION TOTAL CMS BASIS SWAPS			
<i>Counterparty</i>	<i>Notional Amount</i>	<i>Variable Rate Paid</i>	<i>Variable Rate Received</i>
JP Morgan Chase Bank, N.A.	\$200 million	SIFMA	69.42% of 10-yr LIBOR
Goldman Sachs MM Derivative Products	\$100 million	SIFMA	69.42% of 10-yr LIBOR
Morgan Stanley Capital Services, Inc.	<u>\$100 million</u> \$400 million	SIFMA	69.42% of 10-yr LIBOR
SUSPENSION PERIOD TERMS EFFECTIVE UNTIL 12/1/2012			
<i>Counterparty</i>	<i>Notional Amount</i>	<i>Fixed Rate Paid</i>	<i>Fixed Rate Received</i>
JP Morgan Chase Bank, N.A.	\$200 million	\$0	1.590% of notional value
Goldman Sachs MM Derivative Products	\$100 million	\$0	1.637% of notional value
Morgan Stanley Capital Services, Inc.	<u>\$100 million</u> \$400 million	\$0	1.575% of notional value

Credit Risk. Credit risk is the risk that a counterparty will not fulfill its obligations according to the swap agreement. The Commission mitigates credit risk associated with swap transactions by only entering into transactions with highly rated counterparties. Upon entering a derivative transaction, the Commission requires that counterparties have a minimum credit rating of AA-/Aa3 by at least one of the three nationally recognized rating agencies and not on rating/credit watch where a rating downgrade below AA-/Aa3 may be imminent. Additionally, the Commission diversifies exposure to counterparty credit risk through multiple awards. Although the original notional award amount for the CMS basis swap was \$400 million, the actual award was split amongst three counterparties.

CMS basis swap agreements contain provisions for collateral posting by counterparties in the event of a credit rating downgrade. A credit rating downgrade was experienced by Morgan Stanley after the original notional award, which rendered that firm ineligible to participate in future derivative transactions with the Commission until their ratings are upgraded.

COUNTERPARTY CREDIT RATINGS AS OF 8/31/2010	
<u>Counterparty</u>	<u>Fitch/Moody's/Standard & Poor's</u>
J.P. Morgan Chase Bank, N.A.	AA-/Aa1/AA-
Goldman Sachs Mitsui Marine Derivative Products	NR*/Aa1/AAA
Morgan Stanley Capital Services Inc.	A/A2/A
*Not Rated	

Acceptable forms of collateral include cash in the form of U.S. Dollars, negotiable debt obligations issued by the U.S. Treasury Department, and agency securities. Agency securities include negotiable debt obligations which are fully guaranteed as to both principal and interest by the Federal National Mortgage Association, the Government National Mortgage Association or the Federal Home Loan Mortgage Corporation, but excluding 1) interest only and principal only securities, and 2) Collateralized Mortgage Obligations, Real Estate Mortgage Investment Conduits and similar derivative securities. Collateral will be held by the Commission and/or its designated custodian.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the CMS basis swaps or cash flows of those swaps. The fair values and the cash flows of the CMS swaps are sensitive to interest rate risk. The interest rate risk on the cash flows was eliminated during the suspension period by establishing the fixed annuity for that period. The Commission mitigates interest rate risk by maintaining the unilateral option to terminate any or all of the swaps at any time should interest rates cause sustained negative cash flows or fair values that warrant termination of the swaps.

The Commission assesses interest rate risk by monitoring the changing relationship between SIFMA and 69.42% of the 10-year LIBOR swap index and quantifying potential risk.

ESTIMATED WORST HISTORICAL RISK AND AVERAGE ANNUAL BENEFIT		
Fiscal Year	Historical Worst Risk (A)	Average Annual Benefit/ (Cost) (B)
2011	\$6,392,000	\$6,392,000
2012	6,392,000	6,392,000
2013	1,649,900	5,577,500
2014	69,200	5,306,000
2015	69,200	5,306,000
2016-2020	346,000	26,530,000
2021-2025	346,000	26,530,000
2026-2027	74,967	5,748,167
Total	\$15,339,267	\$87,781,667

(A) The worst historical annual spread differential between SIFMA and 69.42% of the 10-year LIBOR swap rate from 1990 to 8/31/2010 is assumed to be 0.0173%.

(B) The historical average annual spread differential between SIFMA and 69.42% of the 10-year LIBOR swap rate from 1990 to 8/31/2010 is assumed to be 1.3265%.

Foreign Currency Risk. The department's investment derivative instruments are not exposed to foreign currency risk.

NOTE 4 - SHORT TERM DEBT

Changes in Short-Term Liabilities

During the year ended August 31, 2010, the department utilized a Short-Term Borrowing Program using Commercial Paper. The Commercial Paper proceeds are used to cover funding shortfalls for capital expenditures.

Governmental Activities	Balance 09-01-09	Additions	Reductions	Balance 08-31-10
Commercial Paper	\$300,000,000	\$60,000,000	\$295,000,000	\$65,000,000
Total Governmental Activities	\$300,000,000	\$60,000,000	\$295,000,000	\$65,000,000

NOTE 5 - SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

As detailed below, the following changes occurred in liabilities during the year ended August 31, 2010:

Governmental Activities	Balance 09-01-09	Additions	Reductions	Balance 08-31-10	Principal Due Within One Year
Compensable Leave	\$74,161,571	\$103,236,413	\$101,094,486	\$76,303,498	\$57,379,884
General Obligation Bonds	6,132,055,000	0	34,730,000	6,097,325,000	39,645,000
Premium – General Obligation Bonds	156,990,287	0	8,762,477	148,227,810	8,682,901
Revenue Bonds	2,791,755,000	1,500,000,000	104,100,000	4,187,655,000	109,210,000
Premium – Revenue Bonds	109,597,954	0	6,362,681	103,235,273	6,362,681
Pass-Through Toll Payable	19,895,000	227,781,852	205,000	247,471,852	13,103,486
Pollution Remediation Obligations	9,081,687	2,550,000	5,896,825	5,734,862	377,500
Total Governmental Activities	\$9,293,536,499	\$1,833,568,265	\$261,151,469	\$10,865,953,295	\$234,761,452

Business-Type Activities	Balance 09-01-09	Accreted Interest	Additions	Reductions	Balance 08-31-10	Due Within One Year
TIFIA Note Payable	\$972,092,191	\$34,920,474			\$1,007,012,665	\$ 0
Revenue Bonds Payable	1,512,305,484	37,881,693			1,550,187,177	0
Unamortized Revenue Bond Premium	9,017,410			\$314,767	8,702,643	314,767
Unamortized Revenue Bond Discount	(17,221,444)		\$601,143		(16,620,301)	(601,143)
Unamortized Loss on Refunding	(4,480,966)		135,787		(4,345,179)	(135,787)
Total Business-Type Activities	\$2,471,712,675	\$72,802,167	\$736,930	\$314,767	\$2,544,937,005	\$(422,163)

Component Unit	Balance 09-01-09	Additions	Reductions	Balance 08-31-10	Due Within One Year
Revenue Bonds Payable		\$1,015,000,000		\$1,015,000,000	
Revenue Bond Premium		7,943,409	\$129,997	7,813,412	\$357,866
Revenue Bond Discount		196,445	19,134,040	(18,937,595)	(646,603)
		\$1,023,139,854	\$19,264,037	\$1,003,875,817	\$(288,737)

Notes and Loans Payable

The United States Department of Transportation (USDOT) agreed to lend to the Commission up to \$916,760,000 to pay or reimburse a portion of the costs of the Central Texas Turnpike System's 2002 Project (CTTS) under the Secured Loan Agreement. The Secured Loan Agreement was entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1998, 23 United States Code, Section 181, et. Seg. (TIFIA). During the availability period for drawdown of the loan, the department drew down a total of \$900,000,000 under the Secured Loan Agreement evidenced by the 2002 TIFIA Bond.

The obligations of the Commission under the Secured Loan Agreement are evidenced by the 2002 TIFIA Bond, a Subordinate Lien Obligation under the Indenture, payable from a subordinate lien on the Trust Estate described above; provided, however, that the 2002 TIFIA Bond is not secured by the debt service or debt service reserve funds established under the Indenture for the benefit of the First Tier Obligations, Second Tier Obligations, or other specific Subordinate Lien Obligations issued pursuant to a supplemental indenture under the Indenture. Upon the occurrence of a Bankruptcy Related Event under the Secured Loan Agreement, the 2002 TIFIA Bond would become a First Tier Obligation.

The debt service requirements for Notes payable in the Business-Type Activities are as follows:

	TIFIA *			TOTAL
	Principal	Interest	Accreted Interest	
2011	\$ 0	\$ 30,081,956	\$ 0	\$ 30,081,956
2012	0	31,690,132	0	31,690,132
2013	0	33,697,991	0	33,697,991
2014	0	35,022,322	0	35,022,322
2015	0	36,442,987	0	36,442,987
2016-2020	0	239,653,470	0	239,653,470
2021-2025	273,627	312,549,638	103,271	312,926,536
2026-2030	23,106,121	332,521,052	8,720,597	364,347,770
2031-2035	32,449,508	290,078,696	12,246,932	334,775,136
2036-2040	194,146,047	199,908,632	73,273,636	467,328,315
2041-2042	650,024,697	32,551,880	245,329,088	927,905,665
Total	\$ 900,000,000	\$ 1,574,198,756	\$ 339,673,524	\$ 2,813,872,280

Fixed interest rates vary from 3.125% to 5.510% depending on maturities.

*TIFIA: The first interest payments on the TIFIA loan were made on February 15, 2010 and August 15, 2010. The loan will be paid from revenues from the Central Texas Turnpike System to the extent they are sufficient to pay (a) all interest which will become due and payable on the TIFIA loan on each such date and (b) the principal, if any, of the secured loan which will become due and payable on each such date, therefore this schedule is subject to change each year as actual revenues are received. Per the agreement, principal and interest can be deferred due to availability of revenues. Deferral of interest would cause it to be compounded and added to the outstanding principal amount (negatively amortized), which would increase the principal amount over time.

Claims and Judgments

The department's involvement in claims and judgments is discussed in detail in Note 15. Management's opinion is that the probable outcome of claims and judgments against the department will not materially affect the financial position of the department; therefore, no liability amount has been accrued.

Employees' Compensable Leave

An employee who terminates his or her employment with the department is entitled to payment for accumulated annual leave up to the maximum allowed. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. Full-time employees earn annual leave from 8 to 21 hours per month, depending on the respective employee's years of state employment. The maximum number of hours that may be carried forward from the 2010 fiscal year to the next is up to 532 for those with 35 or more years of state employment. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. No employees are paid from proprietary fund types. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Pass-Through Toll Payable

In fiscal year 2010, the Texas Department of Transportation accepted for maintenance completed projects or completed sections of pass-through projects in the City of San Marcos, the City of Weatherford and in Galveston, Grayson, Hays, Montgomery and Williamson counties. Based on the project details, TxDOT capitalized the roadway assets and recognized a long term liability of \$227,781,852 for the accepted work. Pass-through toll payments for these projects are expected to begin in fiscal year 2011.

Pollution Remediation Obligations

The department is responsible for the cleanup and remediation of several polluted sites. Regulatory requirements established by federal and state law obligate TxDOT to perform these pollution remediation activities. Historical cost averages were used to calculate the estimated pollution remediation obligation liabilities. The pollution remediation activity is summarized below:

- TxDOT has recognized a \$2,500,000 pollution remediation obligation to manage contaminated media associated with a federal Superfund site.
- TxDOT has recognized a \$2,000,000 pollution remediation obligation related to state municipal solid waste landfill requirements.
- TxDOT has recognized a \$455,362 pollution remediation obligation related to State Leaking Petroleum Storage Tank (LPST) cleanup requirements.
- TxDOT has recognized a \$394,500 pollution remediation obligation related to the Federal Safe Drinking Water Act requirements.
- TxDOT has recognized a \$325,000 pollution remediation obligation related to state cleanup requirements for releases from non-LPST sources.

- TxDOT has recognized a \$60,000 pollution remediation obligation to manage contaminated media associated with a state Superfund site.

Federal reimbursements are expected to offset a portion of these estimated costs. When realizable, the federal reimbursements are recognized as federal revenue. The potential for changes due to price increases or reductions, technology or applicable laws or regulations was incorporated into these estimates.

NOTE 6 - BONDED INDEBTEDNESS

Bonds Payable:

Detailed supplemental bond information is disclosed in Schedule 2-A, Miscellaneous Bond Information, Schedule 2-B, Changes in Bond Indebtedness, Schedule 2C, Debt Service Requirements-Enterprise Fund, and Schedule 2D, Analysis of Funds Available for Debt Service.

Governmental Activities

A. General Obligation Bonds – Texas Mobility Fund

Transportation Code, Chapter 201, Subchapter M, "Obligations for Certain Highway and Mobility Projects" authorized the Commission to issue Texas Mobility Fund Bonds. In 2005, the financing program capacity was initially expected to support, and was thus established at, a principal amount of \$4 billion to be issued in one or more series of bonds. In 2007, the program capacity was estimated to support a principal amount of \$6.5 billion. Consequently, the Master Resolution was amended to accommodate the higher estimated capacity.

Information related to the Texas Mobility Fund General Obligation bonds is summarized below:

1. Series 2005-A Fixed Rate Bonds

- Issued 06-08-05
- \$900,000,000
- Rated AAA, Aaa, and AA+, by Fitch Ratings, Moody's, and S & P, respectively

2. Series 2005-B Variable Rate Bonds

- Issued 06-08-05
- \$100,000,000
- Rated AAA/F1+, Aaa/VMIG 1, and AA+/A-2, by Fitch Ratings, Moody's, and S & P, respectively

3. Series 2006 Fixed Rate Bonds

- Issued 06-08-06
- \$750,000,000
- Rated AAA, Aaa, and AA+, by Fitch Ratings, Moody's, and S & P, respectively

4. Series 2006-A Fixed Rate Bonds

- Issued 10-31-06
- \$1,040,275,000
- Rated AAA, Aaa, AA+, by Fitch Ratings, Moody's, and S & P, respectively

-
5. Series 2006-B Variable Rate Bonds
 - Issued 12-13-06
 - \$150,000,000
 - Rated AAA/F1+ and Aaa/VMIG 1 by Fitch Ratings and Moody's, respectively
 6. Series 2007 Fixed Rate Bonds
 - Issued 06-21-07
 - \$1,006,330,000
 - Rated AAA, Aaa, and AA+, by Fitch Ratings, Moody's, and S & P, respectively
 7. Series 2008 Fixed Rate Bonds
 - Issued 02-28-08
 - \$1,100,000,000
 - Rated AAA, Aaa, AA+, by Fitch Ratings, Moody's, and S & P, respectively
 8. Taxable Series 2009-A (Build America Bonds-Direct Payment) Fixed Rate Bonds
 - Issued 08-26-2009
 - \$1,208,495,000
 - Rated AAA, Aaa, AA+, by Fitch Ratings, Moody's, and S & P, respectively

Purpose of the bonds: To pay, or reimburse the State Highway Fund for the payment of part of the costs of (i) constructing, reconstructing, acquiring, and expanding State highways and (ii) providing participation by the State in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and (iii) issuing the Bonds.

Sources of revenue for debt service: Pursuant to the Enabling Act, the Commission must secure payment of Parity Debt with all or part of the revenues dedicated to and on deposit in the Mobility Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the Mobility Fund are insufficient to make payments due on such obligations. With respect to Parity Debt, the Commission has pledged to the Owners as security for the payment of the Bonds and the previously issued Outstanding Parity Debt, a first lien in the Security, which consists of: (i) all Pledged Revenues; (ii) all Transportation Assistance Bonds in the Portfolio Account and all amounts in the General Account and the Interest and Sinking Account; (iii) any additional account or subaccount within the Mobility Fund that is subsequently established and designated as being included within the Security; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement; and (vi) any applicable guarantee of the State. During fiscal year 2010, pledged revenues deposited into the Mobility Fund were federal receipts, United We Stand License Plate Fees, Investment Income, Motor Vehicle Inspection Fees, Driver Record Information Fees, Driver License Fees, and Certificate of Title Fees.

With respect to the Series 2005-B Bonds and the Series 2006-B Bonds, liquidity facilities have been executed with DEPPFA Bank PLC (for Series 2005-B), and State Street Bank and Trust along with California Public Employees' Retirement System (for Series 2006-B), to provide liquidity in the event such bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The repayment obligations under the liquidity facilities are parity debt and payable from the same source of revenues as the outstanding parity obligations.

B. Revenue Bonds – State Highway Fund

Transportation Code, Chapter 222, Subchapter A, authorizes the Commission to issue State Highway Fund Revenue Bonds. The aggregate principal amount of the bonds and other public securities that are issued may not exceed \$6 billion. The Commission may only issue bonds or other public securities in an aggregate principal amount of not more than \$1.5 billion each year.

Information related to the State Highway Fund Revenue Bonds is summarized below:

1. First Tier Revenue Bonds, Series 2006 Fixed Rate
 - To fund State highway improvement projects
 - Issued 05-03-06
 - \$600,000,000
 - Rated Aaa and AAA by Moody's and S & P, respectively
2. First Tier Revenue Bonds, Series 2006-A Fixed Rate
 - To fund State highway improvement projects
 - Issued 11-21-06
 - \$852,550,000
 - Rated Aaa and AAA by Moody's and S & P, respectively
3. First Tier Revenue Bonds, Series 2006-B Variable Rate
 - To fund State highway improvement projects
 - Issued 11-08-06
 - \$100,000,000
 - Rated Aaa/VMIG1 and AAA/A-1+ by Moody's and S & P, respectively
4. First Tier Revenue Bonds, Series 2007 Fixed Rate
 - To fund State highway improvement projects
 - Issued 10-25-07
 - \$1,241,845,000
 - Rated and Aaa and AAA by Moody's and S & P, respectively
5. First Tier Revenue Bonds, Series 2008 Fixed Rate
 - To fund State highway improvement projects
 - Issued 8-19-08
 - \$162,995,000
 - Rated Aaa and AAA by Moody's and S & P, respectively
6. First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds-Direct Payment) Fixed Rate
 - To fund State Highway improvement projects
 - Issued 8-05-10
 - \$1,500,000,000
 - Rated Aaa and AAA by Moody's and S & P, respectively

Purpose of the bonds: To pay for (i) financing State highway improvement projects that are eligible for funding with revenues dedicated under Article VIII, Section 7-a of the Texas Constitution and (ii) to pay the costs of issuing the bonds.

Source of revenue for debt service: The First Tier Obligations are special, limited obligations of the Commission and are payable from pledged revenues deposited to the credit of the State Highway Fund. Pledged revenues means all State Highway Fund Revenues deposited to the credit of the Fund, together with any additional monies as may in the future be authorized by law to be pledged as security for Senior Obligations. State Highway Revenues means all revenues deposited in, or appropriated or dedicated by law for deposit into, the State treasury to the credit of the Fund, including (i) Dedicated Registration Fees, (ii) Dedicated Taxes, (iii) Dedicated Federal Revenues, (iv) amounts collected or received pursuant to other State Highway Fund Revenue Law, and (v) any interest or earnings from the investment of Dedicated Registration Fees, Dedicated Taxes and Dedicated Federal Revenues; provided that State Highway Fund Revenues do not include moneys and investments deposited in, or appropriated or dedicated by law for deposit into the following funds: (i) the State Infrastructure Bank Account and any Proceeds Fund, Interest and Sinking Fund, Reserve Fund or Rebate Fund and (ii) any special fund, subfund, account or subaccount in the Fund created for the purpose of receiving, holding and administering Restricted Revenues.

With respect to the Series 2006-B Bonds a liquidity facility has been executed with Banco Bilbao Vizcaya Argentaria, S.A., acting through its New York Branch to provide liquidity in the event such bonds are tendered for purchase and such bonds are not remarketed by the remarketing agent. The repayment obligation under the liquidity facility is parity debt and payable from the same source of revenues as the outstanding parity obligations.

Business-Type Activities

A. Revenue Bonds – Central Texas Turnpike System

The Commission issued \$1,149,993,782 of First Tier Revenue Bonds, Series 2002-A, \$150,000,000 of First Tier Revenue Bonds, Series 2002-B and \$900,000,000 of Bond Appreciation Notes (BANS) on August 29, 2002 for the purpose of paying a portion of the costs of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System (CTTS) located in the greater City of Austin, Texas metropolitan area in Travis and Williamson Counties, Texas. The proceeds of the Series 2002-A, 2002-B Bonds and BANS were used, together with certain other funds to (i) finance a portion of the costs of planning, designing, engineering, developing and constructing the 2002 CTTTP Project, (ii) pay a portion of capitalized interest during construction and for the first 11 months following the anticipated completion date of the 2002 CTTTP Project, (iii) fund a portion of the First Tier Debt Service Fund Requirement, and (iv) pay certain issuance costs of the Series 2002-A, 2002-B Bonds and BANS. The BANS were retired in June 2007 and June 2008 with proceeds from the TIFIA Bond. For further information on the TIFIA Bond, please refer to Note 5. A special mandatory redemption of \$2,525,000 of the Series 2002-B Bonds occurred on February 19, 2009. The remaining \$147,475,000 of the Series 2002-B Bonds were refunded with proceeds from the CTTS First Tier Revenue Refunding Put Bonds, Series 2009, issued March 5, 2009.

Information related to the Central Texas Turnpike System Revenue Bonds is summarized below:

I. First Tier Revenue Bonds, Series 2002A, Fixed Rate (Non-callable Capital Appreciation Bonds, Callable Capital Appreciation Bonds, and Current Interest Bonds)

- To study, design, construct, operate, expand, enlarge, and extend the Central Texas Turnpike Project
- Issued 08-29-02
- \$1,149,993,782; all authorized bonds have been issued
- Rated BBB+, Baa1, and BBB+ by Fitch Ratings, Moody's and S & P, respectively

2. First Tier Revenue Refunding Put Bonds, Series 2009, Fixed Rate

- To refund the Series 2002-B variable rate bonds and to pay the costs of issuance for the bonds
- Issued 03-05-09
- \$149,275,000
- Rated BBB+, Baa1, BBB+ by Fitch Ratings, Moody's and S & P, respectively

Source of revenue for debt service – The First Tier Obligations are special, limited obligations of the Commission and are payable from, and secured solely by a first lien on and pledge of the Trust Estate, consisting of (i) all Project Revenues, and to the extent set forth in a supplemental indenture, any Additional Obligation Security, (ii) all Project moneys, including investment earnings, deposited into the Revenue Sub-Fund, the Construction Sub-Fund (except for any amounts held in a sub account containing moneys derived from the State Highway Fund or any moneys received by the Commission that are restricted to another use, such as right-of-way contributions that may be used only for that purpose), the First Tier Debt Service Sub-Fund, the First Tier Debt Service Reserve Sub-Fund, the Rate Stabilization Sub-Fund and the General Reserve Sub-Fund, (iii) any Project insurance proceeds and other moneys required to be deposited in the pledged funds listed in (ii) above and (iv) all payments received by the Commission pursuant to Approved Swap Agreements with respect to First Tier Obligations.

The Commission has committed to provide funds for operations and maintenance on the CTTS to the extent that revenues from the system are not adequate to fund both debt service on the obligations and operations and maintenance on the System.

None of the State of Texas, the Commission, the department, or any other agency or political subdivision of the State of Texas is obligated to pay the principal of, premium, if any, or interest on the CTTS Obligations except from the trust estate. Neither the faith and credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the CTTS Obligations. Neither the Commission nor the department has any taxing power. The bond indenture does not create a mortgage on the System.

Bonds Payable by Component Units of the Department:

A. Private Activity Bonds – Texas Private Activity Bond Surface Transportation Corporation

Transportation Code, Chapter 431 authorizes the creation of transportation corporations and provides the authority of those corporations to issue bonds to promote and develop public transportation facilities and systems by new and alternative methods. The bonds of such corporations are not obligations of the Department, the Commission, or the State.

Information related to the Texas Private Activity Bond Surface Transportation Corporation (the "Corporation") obligations is summarized below:

1. Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project) Series 2009

- Bonds issued to pay for planning, development, design and construction of the North Tarrant Express Facility including among other things: (i) the addition of up to three toll lanes, frontage roads and

auxiliary lanes, (ii) a general purpose lane, (iii) reconstruction of IH-820 and SH 121/SH 183 from I-35W to SH 121, and (iv) direct connectors at I-35/IH-820 interchange.

- Developer: NTE Mobility Partners LLC
- Issued December 10, 2009
- \$400,000,000
- Rated Baa2 and BBB- by Moody's and Fitch, respectively
- Senior Loan Agreement dated December 1, 2009

2. Senior Lien Revenue Bonds (LBJ Infrastructure Group LLC IH-635 Managed Lanes Project) Series 2010

- Bonds issued to pay for planning, development, design and construction of the IH-635 Managed Lanes Project including among other things: (i) construction of three managed toll lanes on IH-635, reconstruction of main lanes, access ramps and frontage roads, (ii) on the IH-635/IH-35E interchange, construction of managed lanes direct connectors, and (iii) on IH-35E, elevated managed lanes.
- Developer: LBJ Infrastructure Group LLC
- Issued June 15, 2010
- \$615,000,000
- Rated Baa3 and BBB- by Moody's and Fitch, respectively
- Senior Loan Agreement dated June 1, 2010

Purpose of the bonds: The bonds were issued, respectively, to pay for construction of the North Tarrant Express Managed Lanes project in Tarrant County, Texas and the IH-635 Managed Lanes project in Dallas County, Texas.

Source of revenue for debt service: The Senior Lien Revenue Bonds Series 2009 and Series 2010 are special, limited non-recourse obligations of the Texas Private Activity Bond Surface Transportation Corporation payable solely from payments received by the Corporation from the relevant Developer, NTE Mobility Partners LLC and LBJ Infrastructure Group LLC, respectively, pursuant to the separate Senior Loan Agreements between the Commission and each Developer. Payment of the principal, interest or premium, if any, on the bonds is a valid claim only against the Corporation but solely from the payments received by the Corporation from the relevant Developer pursuant to its Senior Loan Agreement and the pledged revenue sources available for the relevant series of bond. The bonds do not constitute a debt of the State, the Department, the Texas Transportation Commission, or any other political corporation, subdivision, or agency of the State.

NOTE 7 - CAPITAL LEASES

In fiscal year 2004, TxDOT assumed the operational responsibilities of the State Aircraft Pooling Board. In assuming this responsibility, TxDOT assumed capital leases under the Master Lease Purchase Program (MLPP). The liabilities associated with these leases are reported in the financial statements of the Texas Public Finance Authority. However, the capital assets associated with these leases are reported in these statements.

NOTE 8 - OPERATING LEASE OBLIGATIONS

To minimize long-term costs, and to ensure future availability of essential services, the department, in routine transactions, enters into leases which extend beyond the end of the fiscal year. The portion of these obligations extended beyond the current year is not a recognized liability, since the benefits have not been received as of the end of the fiscal year.

However, these leases will be claims against future appropriations, and consist of the agreements below for the future periods presented.

FISCAL YEAR	EQUIPMENT	FACILITIES	TOTAL
2011	\$ 5,005,116	\$ 3,929,023	\$ 8,934,139
2012	1,855,663	3,016,686	4,872,349
2013	763,574	1,763,270	2,526,844
2014	106,932	1,136,244	1,243,176
2015	4,968	1,136,244	1,141,212
2016-2020	1,860	5,681,220	5,683,080
2021-2025	-0-	5,681,220	5,681,220
TOTAL	\$ 7,738,113	\$ 22,343,907	\$ 30,082,020

The facility operating lease figures listed above include leases which are considered operating leases to the department, but are considered capital leases to the Texas Facilities Commission. The portion of the facility operating leases considered capital leases by the Texas Facilities Commission is listed below. The leases are scheduled to expire on June 30, 2012 and November 30, 2013. Even though the leases will expire, the department will continue to be responsible for the ground lease payments and taxes. Effective November 2009, the Texas Department of Motor Vehicles is subleasing a portion of the Riverside Annex. The Texas Department of Transportation will remain liable for the lease on the facility and will be reimbursed by the Texas Department of Motor Vehicles per the Memorandum of Understanding.

<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016 - 2020</u>
\$2,948,616	\$2,750,975	\$1,763,270	\$1,136,244	\$1,136,244	\$5,681,220

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

Fund Type	Amount
Special Revenue Funds	\$7,362,690

NOTE 9 - EMPLOYEES' RETIREMENT PLAN

The state has joint contributory retirement plans for virtually all its employees. The department participates in the plans administered by the Employees Retirement System of Texas by making monthly payments based on actuarial calculations. Future pension costs are the liabilities of the retirement system. The system does not account for each state agency

separately. Annual financial reports prepared by the system include audited financial statements and actuarial assumptions and conclusions.

NOTE 10 - DEFERRED COMPENSATION

State employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the TEX. GOV'T. CODE ANN., sec. 609.001.

The state's 457 plan complies with the Internal Revenue Code Sec. 457. Deductions, purchased investments and earnings attributed to the 457 plan are the property of the state subject only to the claims of the state's general creditors. Participant's rights under the plan are equal to those of the general creditors of the state in an amount equal to the fair market value of the 457 account for each participant. The state has no liability under the 457 plan and it is unlikely that plan assets will be used to satisfy the claims of general creditors in the future.

The state also administers another plan; 'TexaSaver' created in accordance with Internal Revenue Code Sec. 401(k). The assets of this plan do not belong to the state. The state has no liability related to this plan.

NOTE 11 - POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

See the financial statements of the Employees Retirement System for information regarding post employment health care and life insurance benefits.

NOTE 12 - INTERFUND ACTIVITY / TRANSACTIONS

The department has numerous transactions between funds and agencies. Individual interfund balances at August 31, 2010 were as follows:

Due From/To Other Agencies:

	DUE FROM OTHER AGENCIES	DUE TO OTHER AGENCIES	SOURCE
GENERAL REVENUE	\$	\$	
Appd Fund 0900, D23 Fund 0090: (Agency 902, Appd Fund 0001)		216,549	N/A
SPECIAL REVENUE			
Appd Fund 0006, D23 Fund 0006: (Agency 305, Appd Fund 0044)	131,386		N/A
Transfers			
Appd Fund 0006, D23 Fund 0006: (Agency 241, Appd Fund 0006)		1,889,942	Transfer
(Agency 302, Appd Fund 0006)		1,967,363	Transfer
(Agency 360, Appd Fund 0006)		254,189	Transfer



	DUE FROM OTHER AGENCIES	DUE TO OTHER AGENCIES	SOURCE
	\$	\$	
(Agency 405, Appd Fund 0001)		39,874,724	Transfer
(Agency 582, Appd Fund 5071)		7,005,561	Transfer
(Agency 727, Appd Fund 0001)		1,224,711	Transfer
(Agency 902, Appd Fund 0001)	193,667,472		Transfer
Federal Pass-Throughs			
(Agency 405, Appd Fund 0006)		132,515	Federal P-T
(Agency 458, Appd Fund 0001)		1,200	Federal P-T
(Agency 555, Appd Fund 9999)		8,244	Federal P-T
(Agency 701, Appd Fund 0148)	4,288	83,500	Federal P-T
(Agency 711, Appd Fund 9999)		10,045	Federal P-T
(Agency 716, Appd Fund 9999)		79,635	Federal P-T
(Agency 721, Appd Fund 9999)		173,716	Federal P-T
(Agency 727, Appd Fund 9999)		761,563	Federal P-T
(Agency 753, Appd Fund 9999)		277,588	Federal P-T
(Agency 754, Appd Fund 9999)		94,522	Federal P-T
(Agency 760, Appd Fund 9999)		21,965	Federal P-T
(Agency 808, Appd Fund 0001)		632,085	Federal P-T
State Pass-Throughs			
(Agency 711, Appd Fund 9999)		9,949	State P-T
CAPITAL PROJECTS			
Appd Fund 7604, D23 Fund 7604: (Agency 347, Appd Fund 7604)	512,097		Transfer
Total Due From/To Other Agencies (Exh I)	\$ 194,315,243	\$ 54,719,566	

Due From/To Other Funds:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	SOURCE
	\$	\$	
GENERAL REVENUE			
Appd Fund 0900, D23 Fund 0090: (Agency 601, Appd Fund 0006)		489,754	N/A
SPECIAL REVENUE			
Appd Fund 0006, D23 Fund 0006: (Agency 601, Appd Fund 0365)	41,967,127		N/A
(Agency 601, Appd Fund 0865)	1,584,144	1,842	N/A



	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	SOURCE
	\$	\$	
(Agency 601, Appd Fund 0900)	489,754		N/A
Appd Fund 0365, D23 Fund 0375: (Agency 601, Appd Fund 0006)		41,967,127	N/A
 ENTERPRISE FUND			
Appd Fund 0865, D23 Fund 0865: (Agency 601, Appd Fund 0006)	1,842	1,584,144	N/A
Total Due From/To Other Funds (Exh I and III)	<u>\$ 44,042,867</u>	<u>\$ 44,042,867</u>	

Operating Transfers In/Out (*):

	TRANSFERS IN	TRANSFERS OUT
	\$	\$
Appd Fund 0001, D23 Fund 0001: (Agency 902, Appd Fund 0001)		(2,938)
Total Transfers for D23 Fund 0001		<u>(2,938)</u>
 Appd Fund 0006, D23 Fund 0006:		
(Agency 241, Appd Fund 0006)		1,052,257
(Agency 302, Appd Fund 0006)		7,503,504
(Agency 320, Appd Fund 0006)		(441,752)
(Agency 347, Appd Fund 0507)		309,426
(Agency 347, Appd Fund 0735)		6,296
(Agency 360, Appd Fund 0006)		3,836,745
(Agency 405, Appd Fund 0001)		39,874,724
(Agency 405, Appd Fund 0006)		515,554,790
(Agency 529, Appd Fund 0006)		49,850
(Agency 582, Appd Fund 5071)		81,245,079
(Agency 601, Appd Fund 0008)		237,227,386
(Agency 601, Appd Fund 0365)	263,724,988	
(Agency 601, Appd Fund 0865)		35,527,692
(Agency 608, Appd Fund 0006)	888,036,684	
(Agency 727, Appd Fund 0001)		7,711,969
(Agency 902, Appd Fund 0001)	2,230,071,855	
Total Transfers for D23 Fund 0006	<u>3,381,833,527</u>	<u>929,457,966</u>
 Appd Fund 0008, D23 Fund 0010:		
(Agency 601, Appd Fund 0006)	237,227,386	
Total Transfers for D23 Fund 0010	<u>237,227,386</u>	

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
	\$	\$
Appd Fund 0036, D23 Fund 0036: (Agency 454, Appd Fund 0036)	750,000	
Total Transfers for D23 Fund 0036	<u>750,000</u>	
Appd Fund 0365, D23 Fund 0375/0377: (Agency 601, Appd Fund 0006)		263,724,988
Total Transfers for D23 Fund 0375/0377		<u>263,724,988</u>
Appd Fund 0865, D23 Fund 0865: (Agency 601, Appd Fund 0006)	35,527,692	
Total Transfers for D23 Fund 0865	<u>35,527,692</u>	
Appd Fund 7604, D23 Fund 7604: (Agency 347, D23 Fund 7604)	25,857,905	
Total Transfers for D23 Fund 7604	<u>25,857,905</u>	
Total Operating Transfers (Exh. II and IV)	<u>\$ 3,681,196,510</u>	<u>\$ 1,193,180,016</u>

Legislative Transfers In/Out (*)

	<u>LEGISLATIVE TRANSFERS IN</u>	<u>LEGISLATIVE TRANSFERS OUT</u>
	\$	\$
Appd Fund 0001, D23 Fund 0001: (Agency 608, Appd Fund 0001)	0	14,763,393
Total Legislative Transfers (Exh. II)	<u>\$ 0</u>	<u>\$ 14,763,393</u>

* See Note 1 H(7) and Note 1 H(8) for detailed information on Transfers In/Out and Legislative Transfers In/Out.

NOTE 13 - CONTINUANCE SUBJECT TO REVIEW

The Department is currently subject to a continuance review. Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless continued in existence by the 82nd Legislature as provided by the Act. If abolished, the Department may continue until September 1, 2012 to close out its operations. In the event that the Department is abolished pursuant to the Texas Sunset Act or other law, Section 325.017(f), Texas Government Code, acknowledges that such action will not alter the obligation of the State to pay bonded indebtedness and all other obligations of the abolished agency.

NOTE 14 – ADJUSTMENTS TO FUND BALANCES AND NET ASSETS

In the Capital Asset Adjustment Fund Type, the \$24,012,853 restatement of fixed assets is caused by corrections to property in fiscal year 2010. When an asset is incorrectly accounted for in one fiscal year and corrected in a subsequent fiscal year, the value and accumulated depreciation, if depreciable, must be adjusted.

In the Central Texas Turnpike System’s Statement of Revenues, Expenses and Changes in Net Assets, the (\$1,173,510) restatement is the result of fixed asset corrections in fiscal year 2010.

During fiscal year 2010, a change was made to the Central Texas Turnpike System’s (Fund 865) reporting entity due to the implementation of a Master Lockbox and Custodial Account Agreement between TxDOT and the Bank of New York Mellon Trust Company. This change in reporting entity affected the accounting treatment of the custodial cash deposited from TxTAG customers and other transactions related to toll activity. The result is a restatement to Beginning Cash and Cash Equivalents in the Statement of Cash Flows of (\$16,146,489) and the creation of the Toll Revenue Custodial Account (Fund 997).

During fiscal year 2010, the Governmental Accounting Standards Board implemented GASB Statement No. 53. One of the requirements of GASB Statement No. 53 is to recognize derivative investment instruments on the Statement of Net Assets and changes in fair value of the derivative investment instruments on the Statement of Activities. This change in accounting principle required the restatement in the Other Adjustment Fund Type beginning net assets, by \$6,751,753.

NOTE 15 – CONTINGENCIES AND COMMITMENTS

Contingent Liabilities

A. Litigation

<u>Type of Suit</u>	<u>Number of Suits</u>	<u>Amount in Controversy</u>
Contract	9	Amounts claimed range from \$10,601 to \$7,137,996. Total claims with amounts indicated came to approximately \$11,634,710.
Inverse Condemnation	28	Amounts claimed range from \$5,000 to \$14,500. Total claims with amounts indicated came to approximately \$19,500. Twenty-six of the 28 indicated only an approximate amount of the claim or did not specify the amount.
Declaratory Judgment	2	Amounts of claims not specified.
Employment Law and Related Lawsuits	18	Monetary amounts have not been specified in the majority of these cases. Liability against the department is limited to \$300,000. However, there is no limit on attorney fees and front pay.
Tort Claims	102	Statutory limits of liability on these cases are \$250,000 per person or \$500,000 per accident. Amounts claimed range from \$5,331 to \$500,000. Total claims, including estimates of liability limits where no amounts were specified, came to approximately \$29,216,520.
Workers’ Comp	1	Amounts of claims were not specified.
Miscellaneous	1	Amount of claim is \$648.

The type and volume of activity for which the department is responsible exposes it to a large number of lawsuits. The department has vigorously contested lawsuits brought against it and has usually prevailed or made settlements substantially less than the amounts originally sought.

Settlements are paid by the Texas Comptroller of Public Accounts from the Claims and Refunds Appropriation. Attorney General records indicate that the lawsuits listed above were pending as of August 31, 2010. The department management's opinion is that the probable outcome of these cases will not materially affect the financial position of the department.

B. Claims by Contractors

The type and volume of activity for which the department is responsible exposes it to claims by contractors. The department will most likely settle these claims at substantially less than the amount originally sought. However, if a settlement between the department's claims committee and the contractor can not be reached, these claims will result in future litigation. The department management's opinion is that the probable outcome of these claims will not materially affect the financial position of the department. As of August 31, 2010 the contingent liability as a result of claims by contractors was \$8,203,872.

C. Federal Reimbursements and Grants

The federal eligibility for funds received by the department is subject to review by federal agencies. While the reviews may result in refunds or adjustments, past reviews have resulted in only minor adjustments which had no material financial impact.

D. Sick Leave

Sick leave, which can be accumulated indefinitely, is earned at the rate of eight hours per month, and is paid only to an employee when actually ill, or to the employee's estate upon death of the employee. The maximum sick leave that may be paid to an estate is one-half of the employee's accumulated hours, or 336 hours, whichever is less. A liability for sick leave entitlement is not recorded in the General Long-Term Debt Account Group, since experience indicates the probability of a material effect on any given year's operations as a result of deaths, or an abnormally high rate of illnesses, is minimal.

E. Derivatives

The Department has invested in derivative instruments. [See Note 3]

Significant Commitments

Construction Contracts and Comprehensive Development Agreement Obligations

To ensure future availability of essential services, the department, in routine transactions, enters into construction contracts and comprehensive development agreements which extend beyond the end of the fiscal year. These are not

recognized liabilities because the terms of the contracts or agreements have not been met and benefits have not been received as of the end of the fiscal year. However, these contracts and comprehensive development agreements will be claims against future appropriations and consist of the following estimated amounts. The amounts shown below do not include pass-through toll agreements.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016-2020	TOTALS
Comprehensive Development Agreements	\$313,484,685	\$388,345,337	\$284,706,748	\$317,151,599	\$368,139,678	\$58,672,956	\$1,730,501,003
Construction Contracts	\$3,040,251,245	\$1,401,343,689	\$754,836,583	\$323,114,856	\$254,843,206	\$66,613,813	\$5,841,003,392

Pass-Through Toll Agreements

As a means of financing state highway capital improvements and related maintenance costs, TxDOT has entered into pass-through toll agreements with a number of local entities. Under these agreements, the local entities will finance, design and construct certain roadway projects and may maintain them for a specified period of time. Upon completion of the projects, TxDOT will make payments (i.e. pass-through toll payments) to the entities based on traffic utilization of the roadways and other payment requirements governed by the agreements. Motorists traveling these roadways will not be required to pay a toll. In fiscal year 2010, a long term liability of \$227,781,852 was recognized for completed or partially completed agreements (See Note 5.) Liabilities for uncompleted agreements have not been recognized; however, the maximum amounts of future obligations for the executed agreements as of August 31, 2010 are listed below:

2011	2012	2013	2014	2015	2016-2020	2021-2025	TOTAL
\$ 104,522,219	\$ 127,546,880	\$ 145,425,335	\$ 145,425,335	\$ 161,735,335	\$ 647,556,384	\$ 83,600,389	\$ 1,415,811,877

NOTE 16 - SUBSEQUENT EVENTS

On September 29, 2010, the Commission issued \$977,810,000 in State of Texas Highway Improvement General Obligation Bonds Series 2010 for the purpose of (i) paying, or reimbursing the State Highway Fund for payment of, all or part of the costs of highway improvement projects, (ii) paying the costs of administering projects authorized under Section 222.004 of the Texas Transportation Code, and (iii) paying the cost or expense of the issuance of the Series 2010 bonds. The interest rate on the Series 2010 bonds range from 2.00 to 5.00 percent and the final maturity date is April 1, 2040.

On October 1, 2010, Moody's downgraded the credit rating of Depfa plc which provides the liquidity support for the Texas Mobility Fund Series 2005-B bonds. Consequently, Moody's also downgraded the enhanced short term demand rating on the TMF Series 2005-B bonds from VMIG 1 to VMIG 3. However, the long term underlying rating on the Series 2005-B bonds remains Aaa.

As of November 20, 2010, the Texas Department of Transportation is negotiating terms to extend a toll equity loan of an aggregate maximum amount of approximately \$4.094 billion to the North Texas Tollway Authority (NTTA) to use toward the State Highway 161 project in Dallas to enhance the project feasibility and expedite delivery. The loan will be drawn down to pay eligible project costs if sufficient funds for certain costs were unavailable to NTTA. The loan is limited to payment of mutually-approved projected facility costs including design, construction, operation, and maintenance of the project. The amounts that could be borrowed each year will not exceed a maximum permitted amount, defined in the loan agreement, not to exceed 100% of the projected toll revenue stream for that period in the mutually-approved investment grade traffic and revenue study, updated every two years. North Texas Tollway Authority will pay \$458 million as an upfront payment to Texas Department of Transportation which will be reserved for transportation projects selected by local leaders in the Dallas-Fort Worth Metroplex. This upfront payment also includes reimbursement for construction of Segments 2 and 3 of State Highway 161. If there is a draw on the toll equity loan, the interest rate would be the ten-year AAA MMD rate plus 100 basis points. If timely repayment is not made, the interest rate will escalate to the LIBOR plus 200. A mechanism beginning the eleventh year after debt is issued will allow for an annual revenue share that will equal 3 percent of the amount North Texas Tollway Authority could draw on the loan in that particular year. Any unpaid annual fees would accrue without interest and roll forward to the next year to be paid once revenues are available or to be paid at the point of termination of the toll equity loan agreement. The commission has authorized the loan to be made, but the loan agreement terms have not been finalized.

NOTE 17 - RISK MANAGEMENT

The department is exposed to a wide range of risks, due to the size, scope, and nature of its activities. Some of these risks include, but are not limited to, property and casualty losses, workers' compensation and health benefit claims, theft, damage of assets, etc.

The department retains these risks, and manages them through self-insurance and safety programs, which are the responsibility of the Occupational Safety Division [See page 82].

NOTE 18 - MANAGEMENT DISCUSSION AND ANALYSIS

As permitted by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, the State has adopted the modified approach for reporting its highway system. As required by this Statement, the Texas Department of Transportation (TxDOT) conducts condition assessments on the highway system under its Texas Maintenance Assessment Program (TxMAP). TxMAP is conducted on a yearly basis (GASB requirement is every three years) and results in overall condition levels for the Interstate and Non-Interstate highway systems. In conjunction with the TxMAP, the Texas Transportation Commission has adopted condition levels of 80% for the Interstate system, 75% for the Non-Interstate system, and 80% for the Central Texas Turnpike System. The condition assessment results for FY 2010 reflect condition levels of 83.6% (81.47% in FY 2009) for the Interstate system and 77.9% (76.5% in FY 2009) for the Non-Interstate system. For the Central Texas Turnpike System, the condition assessment results for FY 2010 reflect condition levels of 87.9% (90.5% in FY 2009).

The modified approach also requires that the State estimate the expenditures that will be required to maintain the highway system at or above the adopted condition levels. For FY 2010, TxDOT computed estimates of \$568.5 million for

the Interstate system, \$3.0 billion for the Non-Interstate system, and \$11.4 million for the Central Texas Turnpike System. Actual expenditures were \$333.3 million for the Interstate system, \$1.4 billion for the Non-Interstate system, and \$7.0 million for the Central Texas Turnpike System.

NOTE 19 - THE FINANCIAL REPORTING ENTITY

Component Units

The accompanying financial statements include the financial position and results of operations of all organizations, activities, and functions considered to be within the scope of the department's reporting entity.

As required by generally accepted accounting principles, two transportation corporations are shown as component units of the department because of the significance of their financial relationship with the department. Although the corporations are separate legal entities, the department exercises sufficient authority over the assets, management and operations, to require their inclusion in the accompanying financial statements. The financial activities of the corporations are shown as local fund 999 and presented in a blended format on the department's financial statements [See Note 1-C(4)]. Even though the Texas Private Activity Bond Surface Transportation Corporation does not have formal financial statements, complete financial information for the Grand Parkway Association can be obtained by contacting the corporation directly:

Grand Parkway Association
4544 Post Oak Place, Suite 222
Houston, Texas 77027

The Texas Department of Transportation is a component unit of the state of Texas, and of the statewide Consolidated Annual Financial Report to be issued by the Texas Comptroller of Public Accounts. As such, the department will be audited by the state auditor only to the extent necessary to express an opinion on the financial position of the state as a whole. Accordingly, the state auditor will not express an opinion on the financial statements contained in this report.

Related Parties

The department currently has no related parties to report.

NOTE 20 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY

The State Highway Fund, Fund 006, had a negative balance as of August 31, 2009. This negative fund balance was primarily due to a difference in timing between the recognition of the expenditure of funds received from the North Texas Tollway Authority (NTTA) and the recognition of revenue for those funds. In fiscal year 2008, NTTA paid the Texas Department of Transportation (TxDOT) approximately \$3.2 billion in exchange for the right to develop and toll SH 121 for a period of 50 years. As of August 31, 2010, TxDOT had expended over \$1 billion of these funds but only recognized \$128 million of the funds as revenue, since the recognition of the funds as revenue is occurring over the period for which the rights to toll the roadway have been transferred to NTTA. In approximately 50 years, the roadway will be transferred back to TxDOT. The unamortized portion of the funds received from NTTA is reported as deferred revenue.

The State Highway Fund has a positive fund balance as of August 31, 2010, because of \$1.5 billion of bonds issued by TxDOT in August of 2010. [See Note 6]

NOTE 21 - N/A

NOTE 22 - DONOR-RESTRICTED ENDOWMENTS

The department did not have any donor-restricted endowments.

NOTE 23 - EXTRAORDINARY AND SPECIAL ITEMS

The department did not have any special or extraordinary items during fiscal year 2010.

NOTE 24 - DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Federal Receivables as of August 31, 2010 were \$326,925,381. Of this amount, \$298,105,003 is current and \$28,820,378 is non-current. Although these amounts are shown as Contracts Payable on the paper copy annual report, the Comptroller's Office has requested this liability be shown as Other Current Liabilities in the Uniform Statewide Accounting System. As of August 31, 2010, Retainage Contracts Payable was \$57,414,362 in the State Highway Fund. See Note 1F(8).

NOTE 25 - TERMINATION BENEFITS

For the fiscal year ended August 31, 2010, the department did not have any termination benefits related payments.

NOTE 26 - SEGMENT INFORMATION

TxDOT has only a single enterprise fund (Fund 865) related to the construction, operation, and maintenance of the Central Texas Turnpike System; therefore, segment information is not being reported.

Required Supplementary Information

Required Supplementary Information

As permitted by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, the State has adopted the modified approach for reporting its highway system. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed.

The modified approach requires that the State:

- Maintain an asset management system that includes an up-to date inventory of eligible infrastructure assets,
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Although bridges are an integral part of the highway system, the State has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

Condition Assessments

The Texas Department of Transportation (TxDOT) performs yearly condition assessments through its Texas Maintenance Assessment Program (TxMAP). Under this program, visual inspections are conducted on approximately 10% of the Interstate system and 5% of the Non-Interstate system (US, State, and FM roadways). For each section of highway observed, twenty-one elements separated into three highway components are assessed scores from 0 to 5 (0 = N/A, 1 = Failed, 2 = Poor, 3 = Fair, 4 = Good, 5 = Excellent) in order to determine the condition of the highways. Each element within a component is weighted according to importance and each component is weighted according to importance to determine the overall condition of the highways. The overall score is converted to a percentage measurement for reporting (1 = 20%, 2 = 40%, 3 = 60%, 4 = 80%, 5 = 100%).

Assessed Conditions

TxDOT has adopted a minimum condition level of 80% for the Interstate System, 75% for the Non-Interstate system, and 80% for the Central Texas Turnpike System based on TxMAP assessments.

Year	Interstate Condition (Minimum 80%)	Non-Interstate Condition (Minimum 75%)	Central Texas Turnpike System (Minimum 80%)
2010	83.6%	77.9%	87.9%
2009	81.4%	76.5%	90.5%
2008	83.7%	79.0%	91.7%
2007	84.1%	79.5%	N/A
2006	83.4%	78.0%	N/A

Required Supplementary Information

Estimated and Actual Costs for Maintenance

The table below provides a comparison between TxDOT's estimate of maintenance expenditures required to maintain the highway system at or above the adopted condition levels and the actual expenditures.

Interstate Highways	2010	2009	2008	2007	2006
Estimate	\$568,455,968	\$534,263,128	\$502,127,903	\$438,460,363	\$469,817,714
Actual	\$333,253,166	\$326,304,671	\$438,236,618	\$471,924,721	\$434,087,757
Other Highways	2010	2009	2008	2007	2006
Estimate	\$3,005,712,533	\$2,687,869,178	\$2,455,243,159	\$1,702,612,423	\$1,608,015,154
Actual	\$1,423,734,251	\$1,519,109,684	\$1,649,316,888	\$1,881,284,935	\$1,750,437,888
Central Texas Turnpike System	2010	2009	2008*	2007	2006
Estimate	\$11,371,334	\$9,178,651	\$6,909,785	N/A	N/A
Actual	\$6,972,452	\$7,261,987	\$5,411,318	N/A	N/A

Factors Affecting Condition Assessments

TxDOT continues to develop its methods for determining such estimates. As additional experience is acquired in the estimation and reporting processes, TxDOT hopes to achieve a greater correlation between the estimated maintenance expenditures needed to maintain the highway system at or above the adopted condition levels and the condition level of the highways. In comparing actual expenditures to estimated expenditures, factors such as increases in traffic, legislative mandates, budgetary constraints, and environmental effects (rainfall, drought, hurricane, freeze thaw, etc) should be considered as they may have a major impact on needed funds and the condition of Texas roads.



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Combining Financial Statements



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Exhibit A-1

**COMBINING BALANCE SHEET -ALL GENERAL AND CONSOLIDATED FUNDS
August 31, 2010**

	GENERAL FUND ACCOUNT (0001)* U/F (0001)	TRAFFIC SAFETY-CRASH RECORDS INFORMATION SYSTEMS ACCOUNT (0036)* U/F (0036)
	\$ _____	\$ _____
ASSETS:		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand		
Cash in State Treasury		
Legislative Appropriations	12,242,917	
Loans and Contracts [Note 1 F(4)]	54,590	
Total Current Assets	<u>12,297,507</u>	<u>0</u>
Non-Current Assets:		
Loans and Contracts [Note 1 F(4)]	291,207	
Total Non-Current Assets	<u>291,207</u>	<u>0</u>
TOTAL ASSETS:	<u><u>12,588,714</u></u>	<u><u>0</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Current Liabilities:		
Payables:		
Accounts Payable	94,252	
Payroll Payable	116,013	
Due to Other Funds (Note 12)		
Due to Other Agencies (Note 12)		
Total Current Liabilities	<u>210,265</u>	<u>0</u>
TOTAL LIABILITIES:	<u>210,265</u>	<u>0</u>
FUND FINANCIAL STATEMENT- FUND BALANCES		
FUND BALANCES (DEFICITS):		
Reserved For:		
Loans & Contracts	291,207	
Unreserved:		
Undesignated:		
Future Operations	12,087,242	
Consolidated Funds		
TOTAL FUND BALANCES	<u>12,378,449</u>	<u>0</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>12,588,714</u></u>	<u><u>0</u></u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071)* U/F (0071)	SUSPENSE FUND ACCOUNT (0900)* U/F (0090)	TOTAL
\$	\$	\$
605		605
804,371	706,303	1,510,674
		12,242,917
		54,590
<u>804,976</u>	<u>706,303</u>	<u>13,808,786</u>
		291,207
<u>0</u>	<u>0</u>	<u>291,207</u>
<u>804,976</u>	<u>706,303</u>	<u>14,099,993</u>
		99,389
5,137		197,804
81,791	489,754	489,754
	216,549	216,549
<u>86,928</u>	<u>706,303</u>	<u>1,003,496</u>
<u>86,928</u>	<u>706,303</u>	<u>1,003,496</u>
		291,207
		12,087,242
718,048		718,048
<u>718,048</u>	<u>0</u>	<u>13,096,497</u>
\$ <u>804,976</u>	\$ <u>706,303</u>	\$ <u>14,099,993</u>

Exhibit A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN
FUND BALANCES -ALL GENERAL AND CONSOLIDATED FUNDS**

For the fiscal year ended August 31, 2010

	GENERAL FUND ACCOUNT (0001)* U/F (0001)	TRAFFIC SAFETY-CRASH RECORDS INFORMATION SYSTEMS ACCOUNT (0036)* U/F (0036)
REVENUES:	\$	\$
Legislative Appropriations:		
Original Appropriations	46,277,498	
Additional Appropriations	891,988	
Licenses, Fees and Permits [Note 1 H(4)]		
Sale of Goods & Services	892,028	
TOTAL REVENUES	<u>48,061,514</u>	<u>0</u>
EXPENDITURES:		
Salaries and Wages	2,323,869	
Payroll Related Costs	860,928	
Professional Fees and Services	116,399	13,357
Travel	57,834	
Materials and Supplies	218,062	
Communications and Utilities	3,879	
Repairs and Maintenance		736,639
Rentals and Leases	3,764	
State Grant Pass Through Expenditures	901	
Intergovernmental Payments	1,402,952	
Other Expenditures	30,018	4
Interest on State Bonds	15,675,730	
Capital Outlay	4,358,182	
TOTAL EXPENDITURES	<u>25,052,518</u>	<u>750,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>23,008,996</u>	<u>(750,000)</u>
OTHER FINANCING SOURCES (USES):		
Operating Transfers In [Note 1 H(7)]		750,000
Operating Transfers Out [Note 1 H(7)]	2,938	
Legislative Transfers Out [Note 1 H(8)]	(14,763,393)	
Sale of Capital Assets	3,570,153	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,190,302)</u>	<u>750,000</u>
NET CHANGE IN FUND BALANCES	11,818,694	0
FUND FINANCIAL STATEMENT-FUND BALANCES		
FUND BALANCES, Sept. 1, 2009	1,507,894	0
Appropriations Lapsed	(948,139)	
FUND BALANCES, Aug. 31, 2010 (Exhibit A-1)	<u>\$ 12,378,449</u>	<u>\$ 0</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)
The accompanying notes to the financial statements are an integral part of this financial statement.

TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071)* U/F (0071)	SUSPENSE FUND ACCOUNT (0900)* U/F (0090)	TOTAL
\$ _____	\$ _____	\$ _____
		46,277,498
		891,988
609,973		609,973
<u>609,973</u>	<u>0</u>	<u>892,028</u>
		<u>48,671,487</u>
		2,782,188
458,319		1,080,642
219,714		151,438
21,682		58,118
284		218,062
		4,629
750		736,639
		3,764
		901
		1,402,952
2,504		32,526
		15,675,730
		4,358,182
<u>703,253</u>	<u>0</u>	<u>26,505,771</u>
<u>(93,280)</u>	<u>0</u>	<u>22,165,716</u>
		750,000
		2,938
		(14,763,393)
		3,570,153
<u>0</u>	<u>0</u>	<u>(10,440,302)</u>
(93,280)	0	11,725,414
811,328	0	2,319,222
		(948,139)
<u>\$ 718,048</u>	<u>\$ 0</u>	<u>\$ 13,096,497</u>

EXHIBIT B-1

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

August 31, 2010

	STATE HIGHWAY FUND (0006)* U/F (0006, 0016-0019, 0121-0122, 0130 and 0513-0515)	STATE INFRA- STRUCTURE BANK (0006)* U/F (0099)
	\$	\$
ASSETS		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	615,156	
Cash in Bank	39,987,864	
Cash in State Treasury	4,319,636,962	82,854,285
Receivables:		
Federal	288,395,030	
Other Intergovernmental	63,565,109	
Interest and Dividends		11,019,794
Accounts Receivable	26,016,591	
Due from Other Funds (Note 12)	44,041,025	
Due from Other Agencies (Note 12)	193,803,146	
Consumable Inventories	109,141,146	
Loans and Contracts [Note 1 F(4)]		9,039,000
Total Current Assets	<u>5,085,202,029</u>	<u>102,913,079</u>
Non-current Assets:		
Federal Receivable	28,820,378	
Loans and Contracts [Note 1 F(4)]	31,935,010	251,612,603
Other Non-Current Assets		5,633,447
Total Non-Current Assets	<u>60,755,388</u>	<u>257,246,050</u>
TOTAL ASSETS	<u><u>5,145,957,417</u></u>	<u><u>360,159,129</u></u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Current Liabilities:		
Payables:		
Accounts Payable	801,602,766	
Contracts Payable [Note 1 F(8)]	57,414,362	
Payroll Payable	58,397,973	
Due to Other Funds (Note 12)	1,842	
Due to Other Agencies (Note 12)	54,503,017	
Deferred Revenues [Note 1 F(9)]	3,244,105,515	
Short Term Debt (Note 4)	65,000,000	
Total Current Liabilities	<u>4,281,025,475</u>	<u>0</u>
TOTAL LIABILITIES	<u>4,281,025,475</u>	<u>0</u>
FUND FINANCIAL STATEMENT-FUND BALANCES		
FUND BALANCES (DEFICITS):		
Reserved For:		
Encumbrances	131,350,158	
Inventories	109,141,146	
Imprest	143,158	
Loans & Contracts	31,935,010	251,612,603
Unreserved Designated for:		
Highway Construction and Maintenance	592,362,470	
State Infrastructure Bank		108,546,526
Undesignated:		
Texas Transportation Corporations		
TOTAL FUND BALANCES	<u>864,931,942</u>	<u>360,159,129</u>
TOTAL LIABILITIES & FUND BALANCES:	<u>\$ 5,145,957,417</u>	<u>\$ 360,159,129</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

FEDERAL AMERICAN RECOVERY & REINVESTMENT FUND (0006)* U/F (0369)	TEXAS MOBILITY FUND (0365)* U/F (0365, 0367, 368, 370, 371, 372, 375, 377)	TEXAS TRANSPORTATION CORPORATIONS (9999)* U/F (0999)	TOTAL
\$	\$	\$	\$
		776,955	615,156
	1,390,311,368		40,764,819
	9,709,973		5,792,802,615
	532,667	211,371	298,105,003
			63,565,109
			11,019,794
			26,760,629
			44,041,025
			193,803,146
			109,141,146
		12,738,576	21,777,576
0	1,400,554,008	13,726,902	6,602,396,018
			28,820,378
		969,874,023	1,253,421,636
0	0	969,874,023	5,633,447
0	1,400,554,008	983,600,925	1,287,875,461
			7,890,271,479
			801,829,764
	34,889	192,109	57,414,362
	41,967,127		58,397,973
			41,968,969
			54,503,017
			3,244,105,515
			65,000,000
0	42,002,016	192,109	4,323,219,600
0	42,002,016	192,109	4,323,219,600
			131,350,158
			109,141,146
			143,158
		969,874,023	1,253,421,636
	1,358,551,992		1,950,914,462
			108,546,526
		13,534,793	13,534,793
0	1,358,551,992	983,408,816	3,567,051,879
\$ 0	\$ 1,400,554,008	\$ 983,600,925	\$ 7,890,271,479

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN
FUND BALANCES -SPECIAL REVENUE FUNDS
For the fiscal year ended August 31, 2010**

	STATE HIGHWAY FUND (0006)* U/F (0006, 0016-0019, 0121-0122, 0130 and 0513-0515)	STATE INFRA- STRUCTURE BANK (0006)* U/F (0099)
REVENUES:	\$	\$
Taxes	40,356,000	
Federal Revenues	1,769,065,005	
Federal Pass Through Revenues	22,022,375	
State Pass Through Revenues	74,465	
Licenses, Fees and Permits [Note 1 H(4)]	220,221,514	
Interest & Investment Income	41,999,592	11,689,768
Land Income	6,409,404	
Settlement of Claims	223,259	
Sales of Goods and Services	203,085,940	
Other Revenues	5,838,669	
TOTAL REVENUES	<u>2,309,296,223</u>	<u>11,689,768</u>
EXPENDITURES:		
Salaries and Wages	586,938,512	
Payroll Related Costs	214,350,484	
Professional Fees and Services	242,930,694	
Travel	3,804,326	
Materials and Supplies	321,980,431	
Communications and Utilities	52,637,938	
Repairs and Maintenance	1,217,294,804	
Rentals and Leases	10,510,477	
Printing and Reproduction	3,145,966	
Claims and Judgments	11,189,471	
Federal Pass Through Expenditures	10,930,353	
State Grant Pass Through Expenditures	54,895	
Intergovernmental Payments	379,763,046	
Public Assistance Payments	23,109,292	
Other Expenditures	208,029,225	
Principal on State Bonds		
Principal on Pass-Through Tolls	205,000	
Interest on State Bonds		
Other Financing Fees	13,241,374	
Capital Outlay	2,120,039,450	
TOTAL EXPENDITURES	<u>5,420,155,738</u>	<u>0</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,110,859,515)</u>	<u>11,689,768</u>
OTHER FINANCING SOURCES (USES):		
Operating Transfers In [Note 1 H (7)]	3,381,833,527	
Operating Transfers Out [Note 1 H (7)]	(929,457,966)	
Bond & Note Issued	1,727,781,852	
Insurance Recoveries	10,557,622	
Sale of Capital Assets	4,531,775	
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,195,246,810</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>1,084,387,295</u>	<u>11,689,768</u>
FUND FINANCIAL STATEMENT-FUND BALANCES		
FUND BALANCES, Sept. 1, 2009	(219,455,353)	348,469,361
FUND BALANCES, Aug. 31, 2010 (Exh. B-1)	<u>\$ 864,931,942</u>	<u>\$ 360,159,129</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

FEDERAL AMERICAN RECOVERY & REINVESTMENT FUND (0006)* U/F (0369)	TEXAS MOBILITY FUND (0365)* U/F (0365, 0367, 368, 370, 371, 372, 375, 377)	TEXAS TRANSPORTATION CORPORATIONS (9999)*	TOTAL
\$	\$	\$	\$
			40,356,000
875,418,798	23,627,600		2,668,111,403
			22,022,375
			74,465
	320,404,949		540,626,463
	18,272,918	63	71,962,341
			6,409,404
			223,259
			203,085,940
		1,422,483	7,261,152
<u>875,418,798</u>	<u>362,305,467</u>	<u>1,422,546</u>	<u>3,560,132,802</u>
			586,938,512
			214,350,484
	420,361	663,214	244,014,269
			3,804,326
			321,980,431
			52,637,938
			1,217,294,804
			10,510,477
			3,145,966
			11,189,471
			10,930,353
			54,895
39,073,129			418,836,175
			23,109,292
137,482,699	4,937	337,913	345,854,774
	34,730,000		34,730,000
			205,000
	260,764,636	15,020,871	275,785,507
	642,839	6,175,899	20,060,112
698,862,970			2,818,902,420
<u>875,418,798</u>	<u>296,562,773</u>	<u>22,197,897</u>	<u>6,614,335,206</u>
<u>0</u>	<u>65,742,694</u>	<u>(20,775,351)</u>	<u>(3,054,202,404)</u>
			3,381,833,527
	(263,724,988)		(1,193,182,954)
		1,003,809,369	2,731,591,221
			10,557,622
			4,531,775
<u>0</u>	<u>(263,724,988)</u>	<u>1,003,809,369</u>	<u>4,935,331,191</u>
<u>0</u>	<u>(197,982,294)</u>	<u>983,034,018</u>	<u>1,881,128,787</u>
			1,685,923,092
0	1,556,534,286	374,798	1,685,923,092
<u>\$ 0</u>	<u>\$ 1,358,551,992</u>	<u>\$ 983,408,816</u>	<u>\$ 3,567,051,879</u>

EXHIBIT C

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
For the fiscal year ended August 31, 2010**



	Balances September 1, 2009	Additions	Deductions	Balances August 31, 2010
	\$	\$	\$	\$
UNAPPROPRIATED RECEIPTS				
General Revenue Fund (0001), U/F (1001) *				
Assets:				
Current:				
Cash on Hand	0	36,503,439	36,503,439	0
Total Assets	<u>0</u>	<u>36,503,439</u>	<u>36,503,439</u>	<u>0</u>
Liabilities:				
Current:				
Funds Held for Others	0	36,503,439	36,503,439	0
Total Liabilities	<u>0</u>	<u>36,503,439</u>	<u>36,503,439</u>	<u>0</u>
OTHER AGENCY FUNDS				
Proportional Registration Distributive Fund (0021), U/F (0021)				
Assets:				
Current:				
Cash on Hand	196,521	(1,272,296)	(1,075,775)	0
Cash in State Treasury	4,019,341	(1,075,775)	2,943,566	0
Total Assets	<u>4,215,862</u>	<u>(2,348,071)</u>	<u>1,867,791</u>	<u>0</u>
Liabilities:				
Current:				
Other Intergovernmental Payables	4,215,862	(1,272,296)	2,943,566	0
Total Liabilities	<u>4,215,862</u>	<u>(1,272,296)</u>	<u>2,943,566</u>	<u>0</u>
Child Support-Employee Deduction Account (0807), U/F (0807)				
Assets:				
Current:				
Cash in State Treasury	247,812	3,525,532	3,533,219	240,125
Total Assets	<u>247,812</u>	<u>3,525,532</u>	<u>3,533,219</u>	<u>240,125</u>
Liabilities:				
Current:				
Funds Held for Others	247,812	3,525,532	3,533,219	240,125
Total Liabilities	<u>247,812</u>	<u>3,525,532</u>	<u>3,533,219</u>	<u>240,125</u>
Employees' Savings Bond Account (0901), U/F (0901)				
Assets:				
Current:				
Cash in State Treasury	27,994	267,530	272,000	23,524
Total Assets	<u>27,994</u>	<u>267,530</u>	<u>272,000</u>	<u>23,524</u>
Liabilities:				
Current:				
Funds Held for Others	27,994	267,530	272,000	23,524
Total Liabilities	<u>27,994</u>	<u>267,530</u>	<u>272,000</u>	<u>23,524</u>

* Appropriated Fund is noted as (XXXX), USAS D23 Fund is noted as U/F (XXXX)

The accompanying notes to the financial statements are an integral part of this financial statement.

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS (Concluded)**

	Balances September 1, 2009	Additions	Deductions	Balances August 31, 2010
	\$	\$	\$	\$
OTHER AGENCY FUNDS				
County/Political Subdivision, Local Government				
<u>Road/Airport Trust Account (0927), U/F (0927)</u>				
Assets:				
Current:				
Cash in State Treasury	266,426,362	129,006,062	150,094,535	245,337,889
Total Assets	266,426,362	129,006,062	150,094,535	245,337,889
Liabilities:				
Current:				
Funds Held for Others	266,426,362	129,006,062	150,094,535	245,337,889
Total Liabilities	266,426,362	129,006,062	150,094,535	245,337,889
Direct Deposit Correction				
<u>Account (0980), U/F (0980 and 9014)</u>				
Assets:				
Current:				
Cash in State Treasury	1,385	1,857,329	1,858,614	100
Total Assets	1,385	1,857,329	1,858,614	100
Liabilities:				
Current:				
Funds Held for Others	1,385	1,857,329	1,858,614	100
Total Liabilities	1,385	1,857,329	1,858,614	100
Toll Revenue Custodial Account				
<u>Account (9999), U/F (0997)</u>				
Assets:				
Current:				
Cash on Hand	0	159,647	0	159,647
Cash in Bank	0	16,070,390	16,024,054	46,336
Money Market and Similar Funds	0	127,128,514	107,692,551	19,435,963
Total Assets	0	143,358,551	123,716,605	19,641,946
Liabilities:				
Current:				
Funds Held for Others	0	143,358,551	123,716,605	19,641,946
Total Liabilities	0	143,358,551	123,716,605	19,641,946
TOTALS - ALL AGENCY FUNDS				
Assets:				
Current:				
Cash on Hand	196,521	35,390,790	35,427,664	159,647
Cash in Bank	0	16,070,390	16,024,054	46,336
Cash in State Treasury	270,722,894	133,580,678	158,701,934	245,601,638
Money Market and Similar Funds	0	127,128,514	107,692,551	19,435,963
Total Assets	270,919,415	312,170,372	317,846,203	265,243,584
Liabilities:				
Current:				
Other Intergovernmental Payables	4,215,862	(1,272,296)	2,943,566	0
Funds Held for Others	266,703,553	314,518,443	315,978,412	265,243,584
Total Liabilities	\$ 270,919,415	\$ 313,246,147	\$ 318,921,978	\$ 265,243,584



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Addendum

General Comments

History

The Texas Legislature created the State Highway Department in 1917 to grant financial aid to counties for highway construction and maintenance. The 64th Legislature (1975) created the State Department of Highways and Public Transportation by combining the authorities and responsibilities of the Texas Mass Transportation Commission and the State Highway Department. On May 5, 1976, the functions of the Governor's Office of Traffic Safety were transferred to the department by Executive Order D.B. 28. In 1979, another executive order, WBC 12, combined all statewide traffic safety programs into one traffic safety unit in the department.

The 72nd Legislature (1991) formed the Texas Department of Transportation (TxDOT) by merging the State Department of Highways and Public Transportation, the Texas Department of Aviation (effective September 1, 1991) and the Texas Motor Vehicle Commission (effective September 1, 1992). In 1993, the administration and reporting requirements of the TxDOT Oil Overcharge programs were transferred by contract from the General Services Commission's State Energy Conservation Office to TxDOT. Also in 1995, trucking regulation was transferred from the Texas Railroad Commission to TxDOT (effective September 1, 1995). Finally, the Texas Turnpike Authority was abolished and became a division with TxDOT in 1997.

The 81st Legislature (2009) established the Texas Department of Motor Vehicles (TxDMV), shifting the then-TxDOT divisions and offices of Vehicle Titles and Registration, Motor Vehicles, Auto Burglary and Theft Prevention Authority and a portion of the Motor Carrier Division to the TxDMV (effective November 1, 2009). In December 2009, TxDOT created the TxDOT Rail Division to facilitate the development and interconnectivity of the rail system in Texas (effective September 1, 2009).

The agency is charged with developing and maintaining a statewide multimodal transportation network and other transportation-related duties.

TxDOT Mission

The TxDOT mission is to provide safe and efficient movement of people and goods, enhance economic viability and improve the quality of life for the people that travel in the state of Texas by maintaining existing roadways and collaborating with private and local entities to plan, design, build and maintain expanded transportation infrastructure.

TxDOT Vision

To be a trusted, performance-driven organization committed to collaborating with internal and external partners to deliver a modern, interconnected and multimodal transportation system that enhances the quality of life for Texas citizens and increases the competitive position for Texas industry.

TxDOT Values

TxDOT will do the following: honor our commitments to the citizens of Texas with accountability and transparency; provide the best value for every dollar spent; earn and maintain the respect and trust of

Texas citizens by listening, seeking to understand and being responsive to our customers and stakeholders; promote innovation, creativity and collaboration; promote high ethical conduct and a commitment to compliance with the law with our employees and partners; communicate openly and honestly; protect the safety of the traveling public, our employees and the workers who build, operate and maintain our transportation system; value diversity through inclusion, opportunity and respect; and support employee professional development.

Organization

(An organization chart and a listing of administrative and key personnel as of August 31, 2010, are presented on pages 88-97.)

TxDOT is governed by the five-member Texas Transportation Commission and an executive director elected by the commission. Commission members, serving overlapping six-year terms, are appointed by the governor with the advice and consent of the Texas Senate. The executive director is the chief executive officer, assisted by one deputy executive director, three assistant executive directors and a chief financial officer. An internal audit office performs periodic independent audits of department operations.

The department conducts its primary activities in 25 geographical districts. The differing needs of local populations make decentralization of department operations necessary. Each district, managed by a district engineer, is responsible for the design, location, construction and maintenance of its area transportation systems. Local field offices within districts are known as area offices. TxDOT district offices are located in Abilene, Amarillo, Atlanta, Austin, Beaumont, Brownwood, Bryan, Childress, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Laredo, Lubbock, Lufkin, Odessa, Paris, Pharr, San Angelo, San Antonio, Tyler, Waco, Wichita Falls and Yoakum.

In 2009, four Regional Support Centers were created to consolidate overlapping functions between districts. The RSCs provide operations and project delivery support to the districts. Twenty functional divisions and six offices headquartered in Austin provide administrative and technical support to the districts.

Headquarters Divisions and Offices

Aviation Division

The Aviation Division (AVN) serves as a focal point for statewide air transportation matters. The division's primary day to day activities are directed toward providing engineering, technical and financial assistance to communities for planning, constructing and maintaining airports. The division develops and maintains a long-range statewide aviation facilities plan and programs federal and state assistance for airport development. Aviation education programs are conducted regularly by the division to foster and promote safety and professionalism in all aspects of aviation. The division is actively involved in working with communities to improve scheduled air service opportunities. The division and the department are advised by a six-member Aviation Advisory Committee appointed by the Texas Transportation Commission. In addition, AVN provides aircraft flight services to transport state officials and maintenance support to maintain other state agencies' aircraft. In addition, AVN provides air

transportation services for state employees for business purposes and aircraft maintenance services for state owned aircraft.

Bridge Division

The Bridge Division (BRG) provides assistance to TxDOT districts in matters regarding bridge project development, design, plan preparation, plan review, construction, maintenance, and inspection. Bridge project development encompasses elements such as preliminary engineering, programming, and guidance for developing bridge projects across the state. The division is responsible for reviewing preliminary bridge layouts and construction plans, specifications, and estimates for bridges designed by both department personnel and consulting engineering firms. Design and plan preparation responsibilities include bridges, geotechnical structures, overhead sign bridges and other traffic structures. The division provides assistance with bridge construction and maintenance problems, damaged structures, and construction inspection services. In addition, BRG manages the federally mandated bridge inspection program for the state's 50,000 bridges and also oversees programs for the replacement and rehabilitation of on- and off-system structurally deficient and functionally obsolete bridges. The division manages the various bridge databases as well as develops policies, standards, manuals, structural software, and guidelines to ensure the safety of Texas bridges and the mobility of the traveling public.

Construction Division

The Construction Division (CST) provides oversight for construction contract administration including payment, construction regulatory compliance, and inspection and testing for all department construction contracts. The division is responsible for contractor pre-qualification, bid proposal issuance and construction and maintenance contracts letting. The division provides consultation and support to districts in the areas of project management, administration, inspection and testing from pre-letting through final project acceptance. The division provides materials quality assurance and testing for construction and maintenance materials. The division oversees pavement design activities, and is responsible for the management and maintenance of the department's Pavement Management Information System. The division is also responsible for coordination with the Federal Highway Administration (FHWA) to assure the overall effectiveness of the construction oversight program.

Design Division

The Design Division (DES) provides guidance in the development of all highway construction projects on interstate, state, rural and urban highway systems. The division's design responsibilities begin with the preliminary stage of each project, and continue through the detailed design stages to the completion of plans, specifications and estimates up to release for construction bidding. More specifically, this division develops geometric design criteria; prepares design standards; provides federal oversight responsibility for project development; develops landscape design; and processes and assembles plans and bid proposals. The division also provides guidance and oversight of the engineering, architectural and surveying contracting program.

Environmental Affairs Division

The Environmental Affairs Division (ENV) oversees the department's environmental program. ENV is responsible for recommending policies and developing guidance and procedures for project investigations, public involvement, environmental, social and economic studies as part of the project development process. ENV is the department's environmental liaison with state and federal resource agencies, environmental and special-interest groups, and the public. ENV staff also provides high level professional and technical support to address environmental issues associated with construction and maintenance projects and internal facility operations. ENV also administers contracts to support projects statewide. The division is responsible for activities associated with TxDOT's role as a member of a number of regulatory liaison committees such as the Coastal Coordination Council and Task Force on Economic Growth and Endangered Species. ENV manages the department's internal "Clean Air Plan" and the external "Drive Clean Across Texas" public outreach and education campaign.

Finance Division

The Finance Division (FIN) is responsible for TxDOT's accounting, forecasting, budgeting, financial reporting, payment for all goods and services, and processing of all receipts and revenues. The division analyzes financial effects of proposed legislation on TxDOT and policy analysis and review. The division administers the State Infrastructure Bank, debt management, investments, and bond programs of the department. The division is also responsible for the programming, scheduling, and letting management of all transportation projects.

General Services Division

The General Services Division (GSD) is the central purchasing office for the department, operating with one of the most qualified state agency purchasing staff in Texas with three quarters of purchasing personnel statewide state certified and 100% of purchasing leads and purchasing managers state and nationally certified. GSD provides oversight authority for negotiated contracts including development of policies and procedures and providing support services for professional services contracts. GSD coordinates services that provide business opportunity information, training, workshops and other outreach activities for contractors, TxDOT staff and other organizations that assist in promoting contract opportunities with TxDOT and the state of Texas.

GSD manages four regional distribution centers located in Austin, Athens, Post and Seguin supporting the supply and material needs for the approximately 400 department facilities located throughout the state. GSD oversees the management of TxDOT's personal property, including the equipment fleet, and coordinates the statewide alternative fuels, recycling, document and records management, mail and surplus property functions. The GSD general shops construct customized equipment and furnishings necessary for the districts, regions, divisions and offices.

Other statewide support services include electronic publishing, reprographic services and the operation of a full cost recovery offset print shop which also serves over 40 other state agencies. GSD manages the on-line publication of the department's manuals, forms, and construction, maintenance, facilities and aviation plans on TxDOT's Internet and intranet sites.

Government and Public Affairs Division

The Government and Public Affairs Division (GPA) comprises five sections: State and Federal Legislative Affairs, Community Relations, Communications, International Relations and Media Relations. The State and Federal Legislative Affairs Section manages all of the agency's business before the Texas Legislature and its federal portfolio before the United States Congress and federal agencies. The Community Relations Section focuses on integrating the public in the agency's work. Communications guides external customer services and internal agency workforce communications. International Relations monitors infrastructure developments and activities along the U.S.-Mexico border and global actions that may impact the movement of goods in Texas in order to advise senior agency leadership. Media Relations works with all forms of media to ensure that the agency is properly represented before the press and that those channels are engaged appropriately, including social media.

Human Resources Division

The Human Resources Division (HRD) provides leadership and strategic direction for statewide compensation, training and benefits programs. The division develops and administers external talent acquisition programs and provides applicant services; measures human resource performance objectives through workforce metrics and trend analyses; manages and delivers technical and soft skills professional training for all employees and offers an extensive distance learning portal through online and video teleconferencing systems across the state; administers a substance abuse and violence prevention program; steers employee performance management through continuing development and utilization of a progressive disciplinary approach; coordinates employee benefits and employee assistance programs; maintains the business title classification system to ensure compensation equities and career progression. The division also assists in the department's quality initiatives and manages employee awards and recognition at the state and national level.

Maintenance Division

The Maintenance Division (MNT) administers and oversees the statewide maintenance budget, maintenance condition assessment, maintenance contracts, the State Use program and other maintenance programs and activities. It is responsible for oversight of the department's ferry operations, development and maintenance of safety rest areas, vegetation and roadside pest management, department facilities management and leasing, building operations and security services, facilities energy and water conservation, and statewide planning. The division also coordinates the department's disaster emergency management operations and inspects aggregate quarries and pits.

Motor Carrier Division

The Motor Carrier Division (MCD) issues permits for, and routes, oversize/overweight loads, enforces provisions of TRC Chapters 621 and 623 by investigating alleged size/weight violations, and assessing administrative penalties for violations of size/weight laws and department rules. Efforts are coordinated with local law enforcement and the Texas Department of Public Safety regarding the transport of

oversize/overweight cargo and size/weight violations, and with the Texas Attorney General's Office regarding administrative penalties. Effective November 1, 2009, HB 3097 (81st Texas Legislature) transferred functions relating to motor carrier operating authority, household goods mover consumer protection, and associated enforcement of TRC 643 and 645 to the Texas Department of Motor Vehicles.

Occupational Safety Division

The Occupational Safety Division (OCC) manages TxDOT's self-insured programs for workers' compensation, tort and liability insurance claims. The division is also responsible for overseeing and administering risk management programs associated with employee health and safety, including industrial hygiene assessments, hazardous materials awareness, pre-employment physicals and parts of the substance abuse program. The division directs its efforts toward creating and implementing risk-based approaches to identify exposures and establish strategies, such as Return-to-Work, intended to reduce incidents, fatalities and financial losses in support of the core mission and goals of the department.

The Workers' Compensation section uses licensed adjusters to personally handle employee claims regarding their injuries. The payments made to injured employees and providers are paid within the guidelines set forth by the Texas Department of Insurance, Division of Workers' Compensation.

The Liability section of OCC investigates all third party property damage and bodily injury claims involving department fleet vehicles and equipment for the entire state. This includes the investigation, the liability decision, negotiation and resolution of the claim. The Tort Section manages all claim notices that are actual or alleged property damages, injuries or death to persons outside the department.

The Safety and Industrial Hygiene section provides leadership to protect employees and the traveling public by developing risk management policies, procedures and guidelines in addition to conducting safety training and on-site safety surveys involving construction and maintenance job operations. The division utilizes employee safety professionals and field representatives to help maintain and reinforce uniform proactive incident prevention methods for all employees in their respective work environments.

Public Transportation Division

The Public Transportation Division (PTN) is responsible for encouraging, fostering and assisting public transportation in Texas. The division grants state and federal funds for public transportation and, in partnership with the Federal Transit Administration, supports and monitors transportation programs which support public transportation for elderly individuals and individuals with disabilities, non-urbanized areas, small urbanized areas, intercity bus, job access and reverse commute, new freedom, and various capital projects including transit vehicle procurement and facility construction. The division sponsors and monitors research and development in public transportation. PTN also provides technical assistance, training and planning support to the transit industry and metropolitan planning organizations, in addition to overseeing transit rail safety. Beginning September 1, 2003, PTN was charged with the responsibility of regional planning for public transportation and oversees and assists regions within the state as they proceed to develop local regional plans. The Public Transportation Advisory Committee is a statutory advisory committee charged with representing the transportation providers, users, and the general public. Effective September 1, 2009, PTAC is appointed by the Governor, Lt. Governor, and Speaker of the House and provides advice and recommendations to the commission on public transportation issues and proposed transit policies. The committee consists of nine members.

Rail Division

The Rail Division (RRD) was established in December 2009 in response to a renewed and growing interest in rail transportation for both the movement of people and goods. RRD has oversight of rail planning, research, and development. As a state partner with the Federal Railroad Administration, RRD has state oversight authority of the safety of railroad operations, infrastructure, equipment, and hazardous materials movements. RRD also implements the rail related policies and legislation, and administers federal and state funds allocated to rail projects in Texas. The Division also monitors potential rail line abandonments in Texas, as well as coordinates the state's involvement in and response to abandonment filings.

The governor has assigned the responsibility for rail planning in the state to TxDOT. The legislature assigned the coordination of all passenger rail activities within the state, including commuter and local transit, to the Department in 2009, through the passage of SB 1382. These assignments have been delegated to RRD.

RRD has specific responsibilities for the following rail functions in Texas:

- administering lease and operating agreements on state-owned facilities and managing construction contracts for state or federally funded projects on those facilities, as well as private facilities;
- performing infrastructure and operational analysis of both state and privately owned rail facilities to develop needs assessments as part of the project development process;
- developing and planning for high speed rail and commuter rail studies;
- analyzing local, state and national railroad/multimodal trends, policies, and legislation;
- acting as the departmental liaison to railroad companies, intermodal interests, the FRA, local governments and the public in services and issues relating to rail planning in Texas;
- research and planning for more efficient utilization of Texas rail freight systems;
- has the authority to implement rail improvements by entering into public-private partnership agreements to provide investments in freight rail relocation projects, rail facility improvements, rail line consolidations or new passenger rail developments, and,
- administering the state rail safety inspection program in conjunction with the FRA.

Right of Way Division

The Right of Way Division (ROW) is responsible for the oversight of statewide programs for the acquisition of right of way and other real property interests required for the development of TxDOT transportation projects.

The Right of Way Division is also responsible for the development and promulgation of right of way program policies and procedures to assure consistent state wide performance in accordance with the United States Code, Title 42 - The Public Health and Welfare, Chapter 61—Uniform relocation assistance and real property acquisition policies for federal and federally assisted programs (“The Uniform Act”) and the Uniform Standards of Professional Appraisal Practice (USPAP).

The Division also maintains a cooperative liaison with the Texas Office of the Attorney General for the consistent statewide conduct of eminent domain proceedings in accordance with constitutional guarantees for the protection of private property rights required for a public transportation project.

The Division administers the accommodation of utilities that are displaced as the result of a transportation improvement project. The Division administers the Relocation Assistance Program, leasing of TxDOT right of way, professional service contracts for right of way acquisition services, and also coordinates the disposal of surplus real property.

The Right of Way Division is responsible for the oversight of the relocation assistance program for residents, tenants, and businesses displaced as a result of the right of way acquisition. The Division is also responsible for asset management and inventory control.

The Division is responsible for the qualification and procurement of professional services for right of way acquisition and utility accommodation.

The Right of Way Division is responsible for the centralized administration of the statewide program for regulatory control of outdoor advertising signs in accordance with the Federal and State Highway Beautification laws.

Technology Services Division

The Technology Services Division (TSD) supports the information technology (IT) needs of TxDOT's administrative and engineering activities. TSD provides development and technical support for enterprise administrative and engineering applications, tier two and three level support for all desktop core technology applications, management and operation of one of the largest voice and data telecommunications networks in the state, oversight of outsourced services to the Department of Information Resources and Team for Texas, direction and management of the IT security program, photogrammetry services for department design activities, and training and end-user support for engineering and surveying applications. TSD also establishes and manages the department's core technology architecture; establishes enterprise wide IT policies, standards, and directions; and ensures TxDOT compliance with state information resource (IR) requirements. The TSD director serves as the department's chief information officer, IR manager and information security officer.

Texas Turnpike Authority Division

The Texas Turnpike Authority Division (TTA) leads TxDOT's efforts to use innovative methods to deliver and operate transportation systems statewide. The division's responsibilities include the procurement, development and execution of Comprehensive Development Agreements, which are public-private partnerships for the financing, design, construction and operation of tolled highways.

TTA operates the Central Texas Turnpike System toll roads in the Austin area as well as toll roads in Tyler and Laredo. This includes the management of a Customer Service Center and TxTag services statewide. The division also conducts corridor planning activities for I-35 and the future I-69. This work involves coordination and support for two corridor advisory committees and nine segment committees, which allow citizens direct involvement in the department's planning efforts. TTA also works closely with other tolling entities throughout the state.

Traffic Operations Division

The Traffic Operations Division (TRF) is responsible for the engineering design of traffic control devices, roadway illumination, radio operations, traffic signals, the review and analysis of speed zone requests, the review of traffic engineering related aspects of construction plans, and the collection and analysis of crash records. The division assists and supports the districts in the research, development, and implementation of Intelligent Transportation Systems, administers the Texas Traffic Safety Program, the Highway Safety Improvement Program, the Texas Safety Bond Program, and the Safe Routes to School Program. The division also develops, publishes and distributes the Texas Manual on Uniform Traffic Control Devices.

Transportation Planning and Programming Division

The Transportation Planning and Programming Division (TPP) administers the Statewide Long-Range Transportation Plan, the Statewide Transportation Improvement Program, the Metropolitan Planning Organization planning activities, Economically Disadvantaged Counties program, Border Colonia Access Program, Texas State Planning and Research Work Program (Part I) and the Texas Transportation Corporation Act. The division provides data support for planning and design. TPP is responsible for the federal Highway Performance Monitoring System, corridor feasibility studies, urban transportation planning, road utility districts, international bridges, road inventory, railroad crossing inventory, reference marker locations, mapping and map distribution, traffic volume analysis, traffic forecasting, travel demand modeling, vehicle weight and classification studies and speed and origin-destination studies. The division coordinates multimodal/intermodal transportation issues including bicycle and pedestrian planning. TPP is also responsible for activities related to fulfilling TxDOT's role as the state's nonfederal sponsor of the Gulf Intracoastal Waterway. The division is the liaison to the Texas Transportation Commission for the Port Authority Advisory Committee, the Border Trade Advisory Committee and the Bicycle Advisory Committee.

Travel Information Division

The Travel Information Division (TRV) is the state's central authority for providing information to the traveling public about the highway system and scenic, historic, and recreational opportunities in Texas. The division administers programs to stimulate travel to and within the state, and its employees serve as the state's front-line ambassadors.

TRV publishes the state's official travel magazine, *Texas Highways*; produces and publishes travel literature for the state of Texas, including the *Texas State Travel Guide*, the *Texas Official Travel Map*, the *Texas Accommodations Guide* and the *Texas Events Calendar*; and provides fulfillment activities for Texas travel information inquiries. TRV operates the twelve Texas Travel Information Centers at strategic locations around the state; offers road condition and travel planning information through the Highway Condition Reporting System at 800/452-9292; and assists the public during state emergencies. TRV provides audiovisual services for the department; produces travel and department photographs, slide programs and videos; and maintains a still-photo library. The division also administers the department's litter prevention programs - the Don't Mess with Texas public education campaign, the Adopt-a-Highway program, and the contract with the non-profit organization Keep Texas Beautiful.

Audit Office

The Audit Office (AUD) is an independent appraisal function for internal operations (Internal Audit Section) and for negotiated and cost reimbursement contracts and grants with external entities (External Audit Section). In addition to TxDOT policy and procedure, AUD is governed by professional auditing standards, and reviewed every three years for compliance with these standards by members of other transportation department audit offices. External Audit's work covers 375 contracts a year by site audits, desk reviews, exception ratios, evaluations and pre-negotiation reports. This includes about \$225 million of billed contract costs involving federal, state, and local government funds. Audit exceptions average \$1.5 million per year. Internal Audit assists management by conducting independent and objective reviews of TxDOT operations and procedures to ensure operations are functioning as intended. Also, AUD provides oversight to Internal Auditors (auditors) in districts, divisions and regional centers.

Office of Civil Rights

The Office of Civil Rights (OCR) conducts investigations of employee grievances, investigations requested by TxDOT Administration and management, and investigations requested by FHWA and other federal agencies alleging discrimination, including the Americans with Disabilities Act (ADA) and Title VII of the Civil Rights Act of 1964, and non-discrimination. OCR administers the Contractor Equal Employment Opportunity (EEO) Compliance Program, including Title VI of the Civil Rights Act of 1964, and conducts compliance audits/reviews. OCR develops and manages the Affirmative Action Plan/EEO Program and workforce diversity initiatives. OCR is responsible for ensuring equal opportunity in employment, promotions, training, benefits, and participation in business activities and services to the public. The OCR director serves as EEO officer and ADA Coordinator. OCR also monitors, executes, and evaluates TxDOT's compliance with the Disadvantaged Business Enterprise (DBE) and Small Business Enterprise (SBE) Programs. OCR establishes agency and contract goals, certifies firms for each program, ensures program compliance on contracts through monitoring and corrective measures, and gathers and reports on the progress of these programs.

Office of General Counsel

The Office of General Counsel (OGC) provides legal counsel to the Texas Transportation Commission and TxDOT administration, districts, divisions and offices. The OGC drafts legislation and administrative rules, testifies before legislative committees, and serves as legal counsel at commission meetings.

Internal Compliance Program Office

The Commission directed the department to implement an Internal Compliance Program (ICP). The department did this by creating a Compliance Office (CO) under the general supervision of the Deputy Executive Director. The Internal Compliance Program (ICP) or Compliance Office (CO) directs and assigns the investigation of employee misconduct, identifies areas in which the department may be at risk of fraud or other non-compliance with laws, proposes rules of conduct for employees and businesses that do business with the department, coordinates ethics training, and reviews department ethical policies for compliance.

Research and Technology Implementation Office

The Research and Technology Implementation Office (RTI) manages the Cooperative Research Program, with the great majority of the research being conducted by state-supported universities. It also coordinates product evaluation for the department and manages the Implementation Program to provide funding for specific innovations output by the Research Program. This office also serves as TxDOT's liaison for national research efforts and results.

Strategic Policy and Performance Management Office

The Strategic Policy and Performance Management Office (SPPM) is responsible for the development and publication of the agency's performance-based Strategic Plan. The Office develops and maintains the agency's reporting of performance results through reports published on the TxDOT Tracker page of the TxDOT web site. In addition, the office assists executive administration in the development of new program and policy initiatives.

Administrative and Key Personnel as of August 31, 2010

Governing Commissions, Boards and Statutory Advisory Committees

Texas Transportation Commission

Deirdre Delisi, Chair	Austin	(512) 305-9509
Ned S. Holmes	Houston	(512) 305-9509
Ted Houghton	El Paso	(512) 305-9509
Fred Underwood	Lubbock	(512) 305-9509
William Meadows	Fort Worth	(512) 305-9509

Aviation Advisory Committee

(Members appointed by the Texas Transportation Commission and serve at the pleasure of the commission)

Gordon B. Richardson, Chairman	Caldwell	(979) 567-3003
Peter C. Huff, Vice Chairman	McKinney	(972) 562-7450
Robert H. Bruce	Boerne	(830) 981-2345
Mike Collier	Lakeway	(512) 261-8845
Joe Crawford	Abilene	(325) 671-8013
Greg Jones	The Woodlands	(281) 419-1271

Bicycle Advisory Committee

(Members appointed by the Texas Transportation Commission and serve staggered terms)

Tommy Eden	Austin	(512) 440-1433
Sheila Holbrook-White	Austin	(512) 699-8136
Annie Melton	Dallas	(214) 828-2144
Regina Garcia	Houston	(713) 522-9306
Margaret Charlesworth	San Angelo	(325) 486-1920
Howard Peak	San Antonio	(210) 351-3309
Annie-Marie Williamson	Wichita Falls	(940) 642-5868

Border Trade Advisory Committee

(Members appointed by the Texas Transportation Commission to serve staggered terms)

Raul Salinas	Laredo	(956) 791-7400
Pat Ahumada	Brownsville	(956) 453-3695
Jimmy Goates	Odessa	(432) 367-8907
Jesse Medina	Pharr	(956) 781-1263
Pete Sepulveda, Jr.	Cameron County	(956) 982-5414
George Ramon	McAllen	(956) 843-2471
Jose F. Galvan	Brownsville	(956) 548-2415
Sam R. Sparks	Progreso	(956) 565-6361
Sam F. Vale	Rio Grande City	(956) 487-5606
Bill Ruth	El Paso	(915) 832-4101
Said Larbi-Cherif	El Paso	(915) 858-4673
Michael O'Toole	Austin	(512) 416-2240
Robert Harrison	Austin	(512) 232-3113
Rafael M. Aldrete	El Paso	(915) 532-3759
David Alex	Harlingen	(956) 425-6199
Efrain Valdez	Del Rio	(830) 774-8558

Chad Foster	Eagle Pass	(830) 773-1111
Rosalva Guerra	Zapata	(956) 765-9920
Judy Hawley	Corpus Christi	(361) 643-7469
Hope Andrade	Presiding Officer	(512) 463-5770
Eddie Aldrete	San Antonio	(210) 518-2516
Jorge Canavati	San Antonio	(210) 362-7814
Roger Creery	Laredo	(956) 722-0563

Port Authority Advisory Committee

(Members appointed by the Texas Transportation Commission to three-year staggered terms)

John P. LaRue, Chair	Port of Corpus Christi Authority	(361) 885-6189
Gene Bouillion, Vice Chair	Port of Orange	(409) 883-4363
Spencer Chambers	Port of Houston	(713) 670-2606
Michael G. Wilson	Port Mansfield/Willacy County	(956) 689-3332
John R. Roby	Port of Beaumont	(409) 835-5367
Eduardo A. Campirano	Port of Brownsville	(956) 831-4592
AJ "Pete" Reixach Jr.	Port of Freeport	(979) 233-2667

Public Transportation Advisory Committee

(Members appointed by the Governor, Lieutenant Governor and Speaker of the House)

Michelle Bloomer, Chair	Arlington	(817) 608-2329
Al Abeson	Fort Worth	(512) 374-5230
Frank Castellanos	Brownsville	(956) 973-3110
Christina Melton Crain	Dallas	(214) 739-7933
Janet Everheart	Lamesa	(806) 872-8354
Vince Huerta	El Paso	(915) 532-3415
J.R. Salazar, Vice Chair	Coleman	(325) 625-4491

TxDOT Corridor Advisory Committees

(On March 27, 2008, the Texas Transportation Commission approved the selection of members to serve on two citizens Advisory Committees. The Corridor Advisory Committees represent a cross-section of community and business leaders, landowners, local transportation experts and other interested parties. Each Committee will advise the Texas Department of Transportation in the planning of two priority corridors, Interstate 35 and Interstate 69. The committees will study and prepare reports on the impacts of corridor development, including economic, political, societal and population trends; the use of existing, new and upgraded facilities; road and rail solutions; and financing options).

Interstate 35 Corridor Advisory Committee

Steve Bonnette	San Antonio	(512) 463-1670
Tim Brown	Belton	(512) 463-1670
Maria Elena Camarillo	San Antonio	(512) 463-1670
William Conley	Fort Worth	(512) 463-1670
Sheila Cox	Gainesville	(512) 463-1670
John Erwin	Hillsboro	(512) 463-1670
Don Greene	Lorena	(512) 463-1670
Leslie Bender Jutzi	Grand Prairie	(512) 463-1670
Tom Krampitz	Dallas	(512) 463-1670
Peter LeCody	Coppell	(512) 463-1670
Karen Marstaller	Waco	(512) 463-1670
Ross Milloy	Austin	(512) 463-1670
Susan Narvaiz	San Marcos	(512) 463-1670
Donna Parker	Fort Worth	(512) 463-1670
Raul Perales	Laredo	(512) 463-1670
Charmaine Seymour	Georgetown	(512) 463-1670
Chris Steuart	Saginaw	(512) 463-1670
Lana Wolff	Arlington	(512) 463-1670

Interstate 35 Segment Committee One

Kenneth Barr	Tarrant County	(512) 463-1670
Bruce Beaty	Rockwall County	(512) 463-1670
Bryan Beck	Forth Worth	(512) 463-1670
Mark Burroughs	Denton	(512) 463-1670
Ray Clark	Kaufman County	(512) 463-1670
William L. Conley, Jr.	North Texas Commission	(512) 463-1670
Chad Davis	Wise County	(512) 463-1670
Robert Hanna	Weatherford	(512) 463-1670
Greg Hirsch	Dallas County	(512) 463-1670
Gary Hollowell	Cooke County	(512) 463-1670
John L. Horn	Hunt County	(512) 463-1670
Sheffield Kadane	Dallas	(512) 463-1670
Jeffrey C. Neal	North Central Texas Council of Govt.	(512) 463-1670
John Polster	Denton County	(512) 463-1670
Mark Riley	Parker County	(512) 463-1670
Keith Self	Collin County	(512) 463-1670
Kenneth Sicking	Texas Farm Bureau	(512) 463-1670
Barry L. Sullivan	Gainesville	(512) 463-1670
Bill Whitfield	McKinney	(512) 463-1670

Robert H. Wood Sherman/Denison MPO (512) 463-1670

Interstate 35 Segment Committee Two

Kenneth Barr	Tarrant County	(512) 463-1670
Bryan Beck	Fort Worth	(512) 463-1670
Don Beeson	Johnson County	(512) 463-1670
Robert Braswell	McLennan County	(512) 463-1670
John C. Brunk	Dallas	(512) 463-1670
Richard Cortese	Bell County	(512) 463-1670
Russell Devorsky	Waco MPO	(512) 463-1670
Rob Franke, P.E.	Dallas County	(512) 463-1670
Wayne Gent	Kaufman County	(512) 463-1670
Leonard Heathington	Hood County	(512) 463-1670
Marty Janczak	Temple	(512) 463-1670
William A. Jones, III	Killeen/Temple Urban Transportation Study	(512) 463-1670
Barbra Leftwich	Ellis County	(512) 463-1670
Clyde Melick	Waxahachie	(512) 463-1670
Jeffrey C. Neal	North Central Texas Council of Governments	(512) 463-1670
W. Gwynn Orr	Hill County	(512) 463-1670
Marc Scott	McLennan County Texas Farm Bureau	(512) 463-1670
Steven Sharp	Falls County	(512) 463-1670
Greg Solomon	Hillsborro Area Chamber of Commerce	(512) 463-1670

Interstate 35 Segment Committee Three

Rachel Clampffer	Bastrop County	(512) 463-1670
Marilynn Dierschke	Texas Farm Bureau	(512) 463-1670
Trey Fletcher	Pflugerville	(512) 463-1670
Atlee Fritz	Seguin	(512) 463-1670
Dan A. Gattis	Williamson County	(512) 463-1670
Dan Gibson	City of Lockhart	(512) 463-1670
Joe Gieselman	Travis County	(512) 463-1670
Tom Hornseth	Comal County	(512) 463-1670
Bill Jones	Guadalupe County	(512) 463-1670
Amy Madison	Economic Development San Marcos	(512) 463-1670
Neto Madrigal	Caldwell County	(512) 463-1670
Shannon Mattingly	City of New Braunfels	(512) 463-1670
Gabe Sansing	City of Georgetown	(512) 463-1670
Rod Smith	New Braunfels Chamber of Commerce	(512) 463-1670
Robert Spillar, P. E.	Austin	(512) 463-1670
Phil Tate	Manor	(512) 463-1670
William Weeper	San Antonio/Bexar County MPO	(512) 463-1670
Thomas E. Word, Jr., P.E.	City of Round Rock	(512) 463-1670
Lisa Wright	Hays Environmental Health Dept.	(512) 463-1670

Interstate 35 Segment Committee Four

Tommy Adkisson	San Antonio/Bexar County MPO	(512) 463-1670
Leroy Alves	Seguin Chamber of Commerce	(512) 463-1670
Diana J. Bautista	Atascosa County	(512) 463-1670
Kelly Carroll	Medina County	(512) 463-1670

Kevin Connor	South San Antonio Chamber of Commerce	(512) 463-1670
Rosalva Guerra	Zapata County	(512) 463-1670
Steve Grau	Greater San Antonio Chamber of Commerce	(512) 463-1670
Rosalva Guerra	Zapata County	(512) 463-1670
Gene Ann Herrin	Seguin	(512) 463-1670
Harvey Hild	Guadalupe County	(512) 463-1670
Ralph L. Morgan	Frio County	(512) 463-1670
Kathy Palmer	St. Hedwig	(512) 463-1670
Ray Pfannstiel	Texas Farm Bureau	(512) 463-1670
Marvin Quinney	Wilson County	(512) 463-1670
Joel Rodriguez	La Salle County	(512) 463-1670
Keith Selman	Webb County	(512) 463-1670
Keith Selman	Laredo Urban Transportation Study	(512) 463-1670
Keith Selman	Laredo	(512) 463-1670

Interstate 69 Corridor Advisory Committee

Nolan Alders	Nacogdoches	(512) 463-1670
Will Armstrong	Victoria	(361) 575-1485
James Carlow	New Boston	(903) 628-6718
Alan Clark	Houston	(713) 627-3200
Carbett "Trey" Duhon	Waller	(936) 931-9627
Jim Edmonds	Houston	(713) 670-2629
David Garza	San Benito	(956) 361-8209
Jim Gonzales	Richmond	(281) 342-5456
Jack Gordon	Lufkin	(936) 633-0299
Judy Hawley	Portland	(512) 463-1670
Cynthia Lelelo	Marshall	(903) 923-3323
James McAllen	Edinburg	(512) 463-1670
Arnold Saenz	Alice	(361) 668-5706
David Silva	Beeville	(361) 362-3260
Chandra Spenrath	El Campo	(979) 543-6727
Steve Stewart	Houston	(713) 747-4909
Bill Summers	Weslaco	(956) 968-3141
John Thompson	Livingston	(936) 327-6813

Interstate 69 Segment Committee One

David Anderson	Panola County	(903) 693-0391
Richard Anderson	Harrison County	(903) 935-8401
Bob Barton	Rusk County	(936) 347-2745
Bill Brown	Jefferson	(512) 463-1670
Rick Campbell	Shelby County	(512) 463-1670
William Cork	Red River Redevelopment Authority	(903) 223-9841
Joe English	Nacogdoches County	(936) 560-7755
Stephen J. Frost	Cass County	(903) 628-8466
James Greer	Marshall Texas Chamber of Commerce	(903) 935-8402
William Holley	Tenaha	(936) 248-2543
Jerry Huffman	Angelina County	(936) 634-6644
Jim Jeffers	Nacogdoches	(936) 559-2501

Brad McCaleb	Texarkana MPO	(903) 798-3927
Michael Meador, P.E.	Texas Farm Bureau	(512) 463-1670
Medford, Phillip M.	Lufkin	(936) 632-6661
Robert H. Murray, P.E.	Bowie County	(903) 838-8533
Karen Owen	Longview MPO	(903) 237-1062
Phil Parker	Marion County	(903) 665-3261
Jerry Sparks	Texarkana	(512) 463-1670
Charles Thomas	Carthage	(903) 693-4345
Charles R. Wilcox	Atlanta	(512) 463-1670

Interstate 69 Segment Committee Two

Don Brandon	Chambers County	(409) 267-8379
Bill Brown	Diboll	(936) 829-3342
Spencer Chambers	Port of Houston Authority	(713) 670-2606
Andy Dill	Montgomery County	(281) 354-0051
Ed Emmett	Harris County	(713) 755-4015
Clarke Evans	Livingston	(936) 327-5736
Phil Fitzgerald	Liberty County	(936) 336-4665
Jerry Huffman	Angelina County	(936) 634-6644
Kim Icenhower	Fort Bend County	(713) 504-4378
Michael Jacobs, Jr.	Splendora	(512) 463-1670
Ashby Johnson	Houston-Galveston Area Council	(713) 993-2474
Lloyd Kirkham	Cleveland	(512) 463-1670
Michael Kramer	Houston	(713) 837-7781
Sidney Murphy	Livingston-Polk County Chamber of Commerce	(936) 327-4929
Tom Paben	Texas Farm Bureau	(512) 463-1670
Mandy Risinger	Corrigan	(936) 398-4126
Jay Snook	Polk County	(936) 327-4896
Douglas W. Spruill	Humble	(512) 463-1670
Jim Wehmeier	Lufkin/Angelina Economic Dev. Corp.	(936) 633-0221
Royce Wells	San Jacinto	(512) 463-1670

Interstate 69 Segment Committee Three

Leonard T. Anzaldua	Refugio County	(361) 526-2835
Spencer Chambers	Port of Houston Authority	(713) 670-2606
Laura Fischer	Bee County	(512) 463-1670
Mike Fitzgerald	Galveston County	(409) 770-5554
D. Dale Fowler	Victoria	(361) 485-3190
Stephen Gertson	Texas Farm Bureau	(512) 463-1670
Joe D. Hermes	Edna	(361) 782-3529
Ray Jaso	Refugio	(361) 526-5361
E. J. King	Brazoria County	(512) 463-1670
Michael Kramer	Houston	(512) 463-1670
Santiago Martinez	Beeville	(361) 358-5236
Ray Miller	Victoria MPO	(361) 485-3360
Domingo Montalvo, Jr.	Wharton	(979) 532-2491
John W. Murrile	Wharton County	(979) 532-4612
Donald R. Pozzi	Victoria County	(361) 575-4558
Tony Rigdon	Port of Victoria	(361) 570-8855

Phillip Spenrath	El Campo	(979) 541-9638
Harrison Stafford, II	Jackson County	(361) 782-2352
Ric Tinney	Goliad	(361) 645-2276
Lane Ward	Fort Bend County	(512) 463-1670
Patricia Waskowiak	Houston-Galveston Area Council	(713) 627-3200

Interstate 69 Segment Committee Four

Frank Brogan	Port of Corpus Christi	(361) 885-6133
Roy Cantu	Kleberg County	(361) 296-3623
Charlie Cardenas, P.E.	Corpus Christi	(361) 826-3552
Ralph Coker	Nueces County	(512) 463-1670
Susan Durham	Jim Wells County	(361) 522-5194
Tecló J. Garcia	McAllen	(956) 681-1001
Angie Garza	Hidalgo County MPO	(512) 463-1670
Eddy Hernandez	Brownsville MPO	(956) 983-6130
Wesley Jacobs	Falfurrias	(361) 325-2420
Stanley Laskowski	Kingsville	(361) 595-8001
Pat Liston	Harlingen-San Benito MPO	(512) 463-1670
Sergio T. Lopez	Port of Brownsville	(956) 838-1252
Troy Nedbalek	Texas Farm Bureau	(512) 463-1670
Tom Niskala	Corpus Christi MPO	(361) 884-0687
Joseph F. Phillips	Hidalgo County	(512) 463-1670
Raul M. Ramirez	Brooks County	(361) 325-5470
Daniel O. Rios, P.E.	Lower Rio Grande Partnership	(956) 926-5000
Anne Shepard	Harlingen	(956) 423-8755
Terry Simpson	San Patricio County	(361) 364-9301
Edna Tamayo	Cameron County	(956) 427-8069
Louis E. Turcotte, III	Kenedy County	(361) 294-5372

Interstate 69 Segment Committee Five

Terry Arnold	Corpus Christi MPO	(361) 883-4391
Arnoldo Cantu	Freer	(361) 394-5201
Tim Clower	Nueces County	(361) 880-4111
Roberto Elizondo	Duval County	(512) 463-1670
Rosalva Guerra	Zapata County	(956) 765-9920
Richard Borchard	Port of Corpus Christi	(512) 463-1670
Pearson Knolle	Texas Farm Bureau	(512) 463-1670
Nelda Martinez	Corpus Christi	(361) 826-3105
Josephine Miller	San Patricio Economic Develop. Corp.	(361) 643-4744
Adolph Poenisch	McMullen County	(512) 463-1670
Rodrigo Ramon, Jr.	Robstown	(361) 387-4589
Rito Silva	Alice	(361) 668-7209
L. Arnold Saenz	Jim Wells County	(361) 668-5706
Keith Selman	Laredo	(956) 794-1613
Keith Selman	Laredo Urban Transportation Study	(956) 794-1613
Terry Simpson	San Patricio	(361) 364-9301
Sylvia Steele	George West	(512) 463-1670

Administration

(All are in the 512 area code unless otherwise noted)

Executive Director	Amadeo Saenz, Jr., P.E.	305-9501
Deputy Executive Director	Steven E. Simmons, P.E.	305-9502
Chief Financial Officer	James M. Bass	305-9507

Assistant Executive Directors

• District Operations	David B. Casteel, P. E.	305-9503
• Engineering Operations	John A. Barton, P.E	305-9504
• Support Operations	Steven E. Simmons, P.E. (Interim)	305-9502

Division Directors

(All divisions are in the 512 area code)

Aviation	David S. Fulton	416-4501
Bridge	David P. Hohmann, P. E.	416-2210
Construction	Russel W. Lenz, P.E.	416-2559
Design	Mark A. Marek, P.E.	416-2653
Environmental Affairs	Dianna F. Noble, P.E.	416-2734
Finance	Brian Ragland, CPA	486-5555
General Services	Scott Burford	302-2401
Government and Public Affairs	Coby Chase	463-1620
Human Resources	George A. Ebert	486-5304
Maintenance	Toribio Garza, Jr., P.E.	416-3048
Motor Carrier	Carol Davis	465-3559
Occupational Safety	Jerral Wyer	416-3385
Public Transportation	Eric Gleason	374-5233
Rail	William Glavin	486-5230
Right of Way	John P. Campbell, P.E.	416-2918
Technology Services	Judy B. Skeen, P.E.	465-7491
Texas Turnpike Authority	Mark E. Tomlinson, P. E.	936-0903
Traffic Operations	Carol T. Rawson, P.E.	416-3200
Transportation Planning and Programming	James L. Randall, P.E.	486-5003
Travel	Doris Howdeshell	486-5900

Office Directors

(All offices are in the 512 area code)

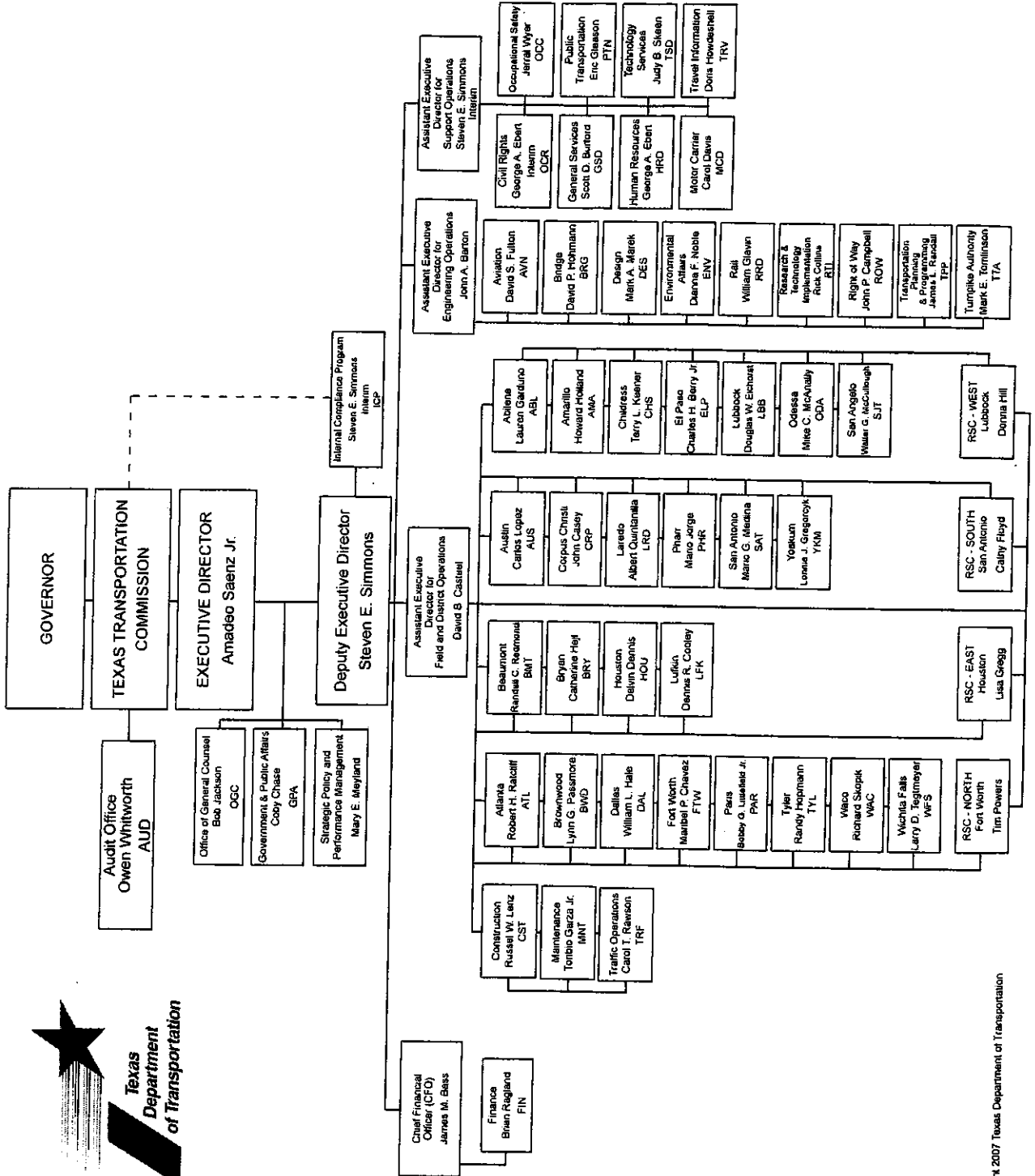
Audit	Owen Whitworth	463-8637
Civil Rights	George A. Ebert (Interim)	475-3117
General Counsel	Bob Jackson	463-8630
Internal Compliance Program	Steve E. Simmons, P. E. (Interim)	305-9502
Research and Technology Implementation	Rick Collins, P.E.	465-7632
Strategic Policy and Performance Management	Mary E. Meyland	305-9508

District Engineers

Abilene	Lauren Garduño, P. E.	(325) 676-6802
Amarillo	Howard Holland, P. E.	(806) 356-3201
Atlanta	Robert H. Ratcliff, P.E.	(903) 799-1220
Austin	Carlos Lopez, P.E.	(512) 832-7022
Beaumont	Randall C. Redmond, P.E.	(409) 898-5731
Brownwood	Lynn G. Passmore, P.E.	(915) 643-0411

Bryan	Catherine Hejl, P.E.	(979) 778-9714
Childress	Terry L. Keener, P.E.	(940) 937-7145
Corpus Christi	John A. Casey, P.E.	(361) 808-2275
Dallas	William L. Hale, P.E.	(214) 320-6110
El Paso	Charles H. Berry, Jr., P.E.	(915) 790-4204
Fort Worth	Maribel P. Chavez, P.E.	(817) 370-6512
Houston	Delvin Dennis, P.E.	(713) 802-5001
Laredo	Albert Quintanilla, P.E.	(956) 712-7410
Lubbock	Douglas W. Eichorst II, P.E.	(806) 748-4419
Lufkin	Dennis R. Cooley, P.E.	(936) 633-4321
Odessa	Mike C. McAnally, P. E.	(432) 498-4711
Paris	Bobby G. Littlefield, Jr., P.E.	(903) 737-9206
Pharr	Mario R. Jorge, P.E.	(956) 702-6100
San Angelo	Walter G. McCullough, P. E.	(325) 947-9200
San Antonio	Mario G. Medina, P.E.	(210) 615-5801
Tyler	Randy C. Hopmann, P.E.	(903) 510-9100
Waco	Richard J. Skopik, P.E.	(254) 867-2700
Wichita Falls	Larry D. Tegtmeier, P.E.	(940) 720-7700
Yoakum	Lonnie J. Gregorcyk, P.E.	(361) 293-4332

August 31, 2010





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Schedules



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Schedule 1A

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2010**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	\$
<u>Federal Aviation Administration (FAA):</u>					
Direct Program:					
Airport Improvement Program - ARRA	20.106				8,800,797
Airport Improvement Program	20.106				69,985,014
Pass-Through Funds to Other Entities:					
Airport Improvement Program	20.106				577,594
Total FAA:		<u>0</u>	<u>0</u>		<u>79,363,405</u>
<u>Federal Motor Carrier Safety Administration:</u>					
Direct Program:					
Border Enforcement Grants	20.233				269
Commercial Vehicle Information Systems and Networks	20.237				157,721
Total Federal Motor Carrier Safety Administration:		<u>0</u>	<u>0</u>		<u>157,990</u>
<u>Federal Transit Administration (FTA):</u>					
Direct Program:					
Formula Grants For Other Than Urbanized Areas	20.509				1,531,194
State Planning and Research	20.515				1,055,005
Pass-Through Funds:					
State Planning and Research					
Texas A & M University	20.515				10,045
Federal Transit Metropolitan Planning Grants	20.505				6,964,384
Formula Grants For Other Than Urbanized Areas - ARRA	20.509				30,272,332
Formula Grants For Other Than Urbanized Areas	20.509				29,092,695
Public Transportation Research	20.514				50,427
State Planning and Research	20.515				370,677
Total FTA:		<u>0</u>	<u>0</u>		<u>69,346,759</u>
<u>General Services Administration (GSA):</u>					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property (NON-MONETARY)					
Pass-Through from Texas Facilities Commission	39.003	303	24		
Total GSA:			<u>24</u>	<u>0</u>	<u>0</u>
<u>Department of Homeland Security (DHS):</u>					
Pass-Through Funds:					
Rail and Transit Security Grant Program					
Texas Department of Public Safety	97.075	405	513,668		
Total DHS:			<u>513,668</u>	<u>0</u>	<u>0</u>
Other Clusters					
Medicaid Cluster:					
<u>Department of Health and Human Services (HHS):</u>					
Pass-Through Funds:					
Medical Assistance Program					
Pass-Through from Texas Health and Human Services Comm.	93.778	529	5,501,736		
Total HHS:			<u>5,501,736</u>	<u>0</u>	<u>0</u>

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$ 8,800,797				\$ 8,800,797	\$ 8,800,797
69,985,014				69,985,014	69,985,014
<u>577,594</u>			<u>577,594</u>		<u>577,594</u>
<u>79,363,405</u>		<u>0</u>	<u>577,594</u>	<u>78,785,811</u>	<u>79,363,405</u>
269				269	269
<u>157,721</u>				<u>157,721</u>	<u>157,721</u>
<u>157,990</u>		<u>0</u>	<u>0</u>	<u>157,990</u>	<u>157,990</u>
1,531,194				1,531,194	1,531,194
1,055,005				1,055,005	1,055,005
10,045	711	10,045			10,045
6,964,384			6,964,384		6,964,384
30,272,332			30,272,332		30,272,332
29,092,695			29,092,695		29,092,695
50,427			50,427		50,427
370,677			370,677		370,677
<u>69,346,759</u>		<u>10,045</u>	<u>66,750,515</u>	<u>2,586,199</u>	<u>69,346,759</u>
24				24	24
<u>24</u>		<u>0</u>	<u>0</u>	<u>24</u>	<u>24</u>
513,668				513,668	513,668
<u>513,668</u>		<u>0</u>	<u>0</u>	<u>513,668</u>	<u>513,668</u>
5,501,736				5,501,736	5,501,736
<u>5,501,736</u>		<u>0</u>	<u>0</u>	<u>5,501,736</u>	<u>5,501,736</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended August 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Public Assistance Cluster:</i>					
<i>Department of Homeland Security (DHS):</i>					
Pass-Through Funds:					
Disaster Grants - Public Assistance					(6,392)
Texas General Land Office	97.036				
Texas Department of Public Safety	97.036	405	16,006,971	0	
Total DHS:			16,006,971	0	(6,392)
<i>Federal Transit Cluster:</i>					
<i>Federal Transit Administration (FTA):</i>					
Pass-Through Funds to Other Entities:					
Federal Transit - Capital Investment Grants	20.500				5,516,057
Federal Transit - Formula Grants	20.507				180,258
Total FTA:			0	0	5,696,315
<i>Transit Services Programs Cluster:</i>					
<i>Federal Transit Administration (FTA):</i>					
Direct Program:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				577,856
Job Access - Reverse Commute	20.516				238,939
New Freedom Program	20.521				267,205
Pass-Throughs to Other Entities:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				7,677,225
Job Access - Reverse Commute	20.516				3,743,379
New Freedom Program	20.521				1,514,159
Total FTA:			0	0	14,018,763
<i>Highway Planning and Construction Cluster:</i>					
<i>Federal Highway Administration (FHWA):</i>					
Direct Program:					
Highway Planning and Construction - ARRA	20.205				814,425,127
Highway Planning and Construction	20.205				1,460,577,962
Pass-Through Funds:					
Highway Planning and Construction					
Texas A & M University	20.205				212,886
Prairie View A & M University	20.205				8,951
University of Texas - Austin	20.205				414,559
Texas Transportation Institute	20.205				300,710
Texas Parks and Wildlife	20.205				228,425
Texas Historical Commission	20.205				1,333,982
Pass-Through to Other Entities - ARRA	20.205				21,920,542
Pass-Through to Other Entities	20.205				138,447,989
Total FHWA:			0	0	2,437,871,133

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
(6,392)	305	(6,392)			(6,392)
16,006,971				16,006,971	16,006,971
<u>16,000,579</u>		<u>(6,392)</u>	<u>0</u>	<u>16,006,971</u>	<u>16,000,579</u>
5,516,057			5,516,057		5,516,057
180,258			180,258		180,258
<u>5,696,315</u>		<u>0</u>	<u>5,696,315</u>	<u>0</u>	<u>5,696,315</u>
577,856				577,856	577,856
238,939				238,939	238,939
267,205				267,205	267,205
7,677,225			7,677,225		7,677,225
3,743,379			3,743,379		3,743,379
1,514,159			1,514,159		1,514,159
<u>14,018,763</u>		<u>0</u>	<u>12,934,763</u>	<u>1,084,000</u>	<u>14,018,763</u>
814,425,127				814,425,127	814,425,127
1,460,577,962				1,460,577,962	1,460,577,962
212,886	711	212,886			212,886
8,951	715	8,951			8,951
414,559	721	414,559			414,559
300,710	727	300,710			300,710
228,425	802	228,425			228,425
1,333,982	808	1,333,982			1,333,982
21,920,542			21,920,542		21,920,542
138,447,989			138,447,989		138,447,989
<u>2,437,871,133</u>		<u>2,499,513</u>	<u>160,368,531</u>	<u>2,275,003,089</u>	<u>2,437,871,133</u>

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended August 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Department of Transportation (DOTS):</i>					
Direct Program:					
Highway Planning and Construction	20.205				568,635
Total DOTS:			0	0	568,635
<i>Highway Safety Cluster:</i>					
<i>National Highway Traffic Safety Admin. (NHTSA):</i>					
Pass-Through Funds:					
State and Community Highway Safety Program					
Texas Alcoholic Beverage Commission	20.600				381
Texas Department of State Health Services	20.600				664,861
Texas Cooperative Extension	20.600				32,353
Texas A & M Engineering Extension Service	20.600				1,510,356
Texas Transportation Institute	20.600				1,330,759
University of Houston - Downtown	20.600				103,417
Alcohol Impaired Driving Countermeasures Incentive Grants					
Texas Alcoholic Beverage Commission	20.601				41,705
Texas Transportation Institute	20.601				415,148
Sam Houston State University	20.601				489,427
Texas State University	20.601				188,303
University of Houston - Downtown	20.601				188,063
Occupant Protection Incentive Grants					
Texas A & M University - Corpus Christi	20.602				89,366
Safety Belt Performance Grants					
Texas Department of Public Safety	20.609				1,303,422
Texas Department of State Health Services	20.609				569,536
Texas Cooperative Extension	20.609				241,914
Texas Education Agency	20.609				171,740
Texas Transportation Institute	20.609				360,183
Sam Houston State University	20.609				4,000
Texas A & M University - Corpus Christi	20.609				8,500
State Traffic Safety Information System Improvement Grants					
Texas Department of State Health Services	20.610				414,685
Incentive Grant Program to Increase Motorcyclist Safety					
Texas Transportation Institute	20.612				299,066
Pass-Through to Other Entities					
State and Community Highway Safety Program					
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601				7,779,615
Occupant Protection Incentive Grants	20.602				882,805
Safety Belt Performance Grants	20.609				3,989,069
State Traffic Safety Information System Improvement Grants	20.610				1,759,172
Total NHTSA:		0	0		37,467,195
Total Other Clusters		21,508,707	0		2,495,615,649
TOTAL FEDERAL ASSISTANCE		\$ 22,022,399	\$ 0	\$	2,644,483,803

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
	\$	\$	\$		
568,635				568,635	568,635
<u>568,635</u>		<u>0</u>	<u>0</u>	<u>568,635</u>	<u>568,635</u>
381	458	381			381
664,861	537	664,861			664,861
32,353	555	32,353			32,353
1,510,356	716	1,510,356			1,510,356
1,330,759	727	1,330,759			1,330,759
103,417	784	103,417			103,417
41,705	458	41,705			41,705
415,148	727	415,148			415,148
489,427	753	489,427			489,427
188,303	754	188,303			188,303
188,063	784	188,063			188,063
89,366	760	89,366			89,366
1,303,422	405	1,303,422			1,303,422
569,536	537	569,536			569,536
241,914	555	241,914			241,914
171,740	701	171,740			171,740
360,183	727	360,183			360,183
4,000	753	4,000			4,000
8,500	760	8,500			8,500
414,685	537	414,685			414,685
299,066	727	299,066			299,066
14,629,349			14,629,349		14,629,349
7,779,615			7,779,615		7,779,615
882,805			882,805		882,805
3,989,069			3,989,069		3,989,069
1,759,172			1,759,172		1,759,172
<u>37,467,195</u>		<u>8,427,185</u>	<u>29,040,010</u>	<u>0</u>	<u>37,467,195</u>
<u>2,517,124,356</u>		<u>10,920,306</u>	<u>208,039,619</u>	<u>2,298,164,431</u>	<u>2,517,124,356</u>
<u>\$ 2,666,506,202</u>		<u>\$ 10,930,351</u>	<u>\$ 275,367,728</u>	<u>\$ 2,380,208,123</u>	<u>\$ 2,666,506,202</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)

Year Ended August 31, 2010

Note 1 - Nonmonetary Assistance

The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of \$ 103.71. The surplus property is passed through from the Texas Facilities Commission. The federal grantor agency is the General Services Administration (GSA) and the federal CFDA number is 39.003. The estimated fair value for fiscal year 2010 is \$24.16. The difference of the values of the surplus property recorded on the federal schedule and Exhibit II (Federal Revenues) is a reconciling item below.

Note 2 - Reconciliation

Per Combined Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities - Governmental Funds (Exh. II) :

Federal Revenues before Other Adjustments (Exh. II)	\$2,668,111,403
Federal Pass Through Revenues (Exh. II)	<u>22,022,375</u>
Subtotal	<u>\$2,690,133,778</u>
Reconciling Items:	
Federal Surplus Personal Property Donation (Non-Monetary)	\$24
Build America Bonds Federal Subsidy	<u>(23,627,600)</u>
Total Pass-Through and Expenditures per Federal Schedule	<u><u>\$2,666,506,202</u></u>

Note 7 - Federal Deferred Revenue

Federal Deferred Revenue 9/1/09	\$20,994,026
Increase (Decrease)	<u>7,826,352</u>
Federal Deferred Revenue 8/31/10	<u><u>\$28,820,378</u></u>

The federal deferred revenue ending balance of \$28,820,378 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration but the federal revenue is not collectable within 60 days after the end of the fiscal year. Federal CFDA number 20.205 applies to this \$28,820,378.

Schedule 1B

SCHEDULE OF STATE PASS-THROUGH GRANTS FROM/TO STATE AGENCIES Year Ended August 31, 2010

Pass-Through From:

Disaster Grants	
Texas Department of Public Safety (Agency #405)	\$ <u>74,465</u>
Total Pass-Through From Other Agencies -Per Exhibit II	\$ <u><u>74,465</u></u>

Pass-Through To:

Texas Automobile Theft Prevention Authority Grants	
Texas Department of Public Safety (Agency #405)	\$ 24,582
Texas Department of Criminal Justice (Agency #696)	2,157
Routine Airport Maintenance Grants	
Texas A&M University (Agency #711)	33,658
Public Transportation Grants	
Texas Workforce Commission (Agency #320)	<u>(4,601)</u>
Total Pass-Through To Other Agencies -Per Exhibit II	\$ <u><u>55,796</u></u>

SCHEDULE 2A

**Miscellaneous Bond Information
For the Fiscal Year Ended August 31, 2010**

Governmental Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
General Obligation Bonds:						
Series 2005-A Fixed Rate Bonds (Serial and Term)	\$900,000,000	3.90%	5.00%	2006	2035	4/1/2015
Series 2005-B Variable Rate Bonds	100,000,000	variable		2030	2030	4/1/2006
Series 2006 Fixed Rate Bonds (Serial and Term)	750,000,000	3.625%	5.00%	2007	2036	4/1/2016
Series 2006-A Fixed Rate Bonds (Serial and Term)	1,040,275,000	4.00%	5.00%	2007	2035	4/1/2017
Series 2006-B Variable Rate Bonds	150,000,000	variable		2035	2036	4/1/2007
Series 2007 Fixed Rate Bonds (Serial and Term)	1,006,330,000	4.00%	5.00%	2008	2037	4/1/2017
Series 2008 Fixed Rate Bonds	1,100,000,000	4.00%	5.00%	2009	2030	4/1/2018
Series 2009-A Fixed Rate Bonds	1,208,495,000	5.367%	5.517%	2020	2039	*
Revenue Bonds:						
Series 2006 Fixed Rate Bonds	600,000,000	4.00%	5.00%	2007	2026	4/1/2016
Series 2006-A Fixed Rate Bonds	852,550,000	4.00%	5.25%	2008	2025	4/1/2016
Series 2006-B Variable Rate Bonds	100,000,000	variable		2025	2026	4/1/2007
Series 2007 Fixed Rate Bonds	1,241,845,000	4.00%	5.00%	2009	2027	4/1/2017
Series 2008 Fixed Rate Bonds	162,995,000	3.50%	5.25%	2010	2028	4/1/2018
Series 2010 Fixed Rate Bonds	1,500,000,000	5.028%	5.178%	2023	2030	**
TOTAL	\$10,712,490,000					

* The Series 2009-A Fixed Rate Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

** The Series 2010 Fixed Rate Bonds are subject to redemption prior to their respective maturities at the option of the Commission.

Business-Type Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Revenue Bonds:						
First Tier Revenue Bonds Series 2002 - A						
Non-Callable Capital Appreciation Bonds	\$443,320,786	4.47%	5.75%	2012	2030	n/a
Callable Capital Appreciation Bonds	249,716,391	6.00%	6.10%	2025	2038	8/15/2012
Current Interest Bonds	707,875,000	5.00%	5.75%	2038	2042	8/15/2012
First Tier Revenue Refunding Put Bonds Series 2009	149,275,000	5.00%		2042	2042	2/15/2011
TOTAL	\$1,550,187,177					

Component Unit Activities

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Revenue Bonds:						
NTE Mobility Partners LLC	\$400,000,000	6.875%	7.50%	2030	2039	12/31/19
LBJ Infrastructure Group LLC	615,000,000	7.00%	7.50%	2030	2040	06/30/20
TOTAL	\$1,015,000,000					



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SCHEDULE 2B
Changes in Bonded Indebtedness
For the Fiscal Year Ended August 31, 2010

Governmental Activities

Description of Issue	Bonds Outstanding 9/1/2009	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2010
General Obligation Bonds:					
Series 2005-A Fixed Rate Bonds (Serial & Term)	\$834,520,000		\$16,185,000		\$818,335,000
Series 2005-B Variable Rate Bonds	88,385,000		2,985,000		85,400,000
Series 2006 Fixed Rate Bonds (Serial & Term)	706,515,000		13,485,000		693,030,000
Series 2006-A Fixed Rate Bonds (Serial & Term)	1,039,705,000		1,325,000		1,038,380,000
Series 2006-B Variable Rate Bonds	150,000,000				150,000,000
Series 2007 Fixed Rate Bonds (Serial & Term)	1,004,935,000		250,000		1,004,685,000
Series 2008 Fixed Rate Bonds (Serial & Term)	1,099,500,000		500,000		1,099,000,000
Series 2009-A Fixed Rate Bonds	1,208,495,000		0		1,208,495,000
Revenue Bonds:					
State Highway Fund First Tier Revenue Bonds					
Series 2006 Fixed Rate Bonds	540,060,000		20,995,000		519,065,000
Series 2006-A Fixed Rate Bonds	787,880,000		34,680,000		753,200,000
Series 2006-B Variable Rate Bonds	100,000,000		0		100,000,000
Series 2007 Fixed Rate Bonds	1,200,820,000		43,020,000		1,157,800,000
Series 2008 Fixed Rate Bonds	162,995,000		5,405,000		157,590,000
Series 2010 Fixed Rate Bonds	0	1,500,000,000			1,500,000,000
TOTAL GOVERNMENTAL	\$8,923,810,000	\$1,500,000,000	\$138,830,000	\$0	\$10,284,980,000

	Unamortized Premium	Unamortized Discount	Unamortized Gain/(Loss) on Refunding	Net Bonds Outstanding 8/31/2010	Principal Amounts Due Within One Year
	\$31,529,642	\$195,487		\$849,669,155	\$16,995,000
				85,400,000	3,085,000
	17,269,813			710,299,813	14,115,000
	29,222,866			1,067,602,866	2,275,000
				150,000,000	
	18,113,183			1,022,798,183	250,000
	52,287,793			1,151,287,793	2,925,000
				1,208,495,000	
				519,065,000	22,030,000
	40,652,168			793,852,168	36,415,000
				100,000,000	
	53,763,451			1,211,563,451	45,090,000
	8,819,654			166,409,654	5,675,000
				1,500,000,000	
	\$251,658,570	\$195,487	\$0	\$10,536,443,083	\$148,855,000

SCHEDULE 2B
Changes in Bonded Indebtedness
(Continued)

Business-Type Activities

Description of Issue	Bonds Outstanding 9/1/2009	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2010
Revenue Bonds:					
First Tier Revenue Bonds Series 2002 - A					
Non-Callable Capital Appreciation Bonds	\$419,948,091	\$23,372,695 *			\$443,320,786
Callable Capital Appreciation Bonds	235,207,393	14,508,998 *			249,716,391
Current Interest Bonds	707,875,000				707,875,000
First Tier Revenue Bonds Series 2002 - B					
Weekly Demand Bonds	0				0
First Tier Refunding Put Bonds Series 2009					
	149,275,000				149,275,000
TOTAL BUSINESS-TYPE	\$1,512,305,484	\$37,881,693	\$0	\$0	\$1,550,187,177

Unamortized Premium	Unamortized Discount	Unamortized Gain/ (Loss) on Refunding	Net Bonds Outstanding 8/31/2010	Principal Amounts Due Within One Year
\$2,003,711	\$3,826,686		\$441,497,811	\$0
1,173,819	2,241,758		248,648,452	0
5,525,113	10,551,857		702,848,256	0
0	0		0	0
0	0	(\$4,345,179)	144,929,821	0
\$8,702,643	\$16,620,301	(\$4,345,179)	\$1,537,924,340	\$0

Component Unit Activities

Description of Issue	Bonds Outstanding 9/1/2009	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2010
Revenue Bonds:					
NTE Mobility Partners LLC	\$0	\$400,000,000			\$400,000,000
LBJ Infrastructure Group LLC	0	615,000,000			615,000,000
TOTAL COMPONENT UNIT	\$0	\$1,015,000,000	\$0	\$0	\$1,015,000,000

Unamortized Premium	Unamortized Discount	Unamortized Gain/ (Loss) on Refunding	Net Bonds Outstanding 8/31/2010	Principal Amounts Due Within One Year
\$3,001,703	\$5,202,413		\$397,799,290	
4,811,709	13,735,182		606,076,527	
\$7,813,412	\$18,937,595	\$0	\$1,003,875,817	\$0

* Accretion does not appear on Schedule 2B

SCHEDULE 2C

DEBT SERVICE REQUIREMENTS

For the Fiscal Year Ended August 31, 2010

Governmental Activities Description of Issue	2011	2012	2013	2014	2015	2016-2020
TMF General Obligation Bonds						
Series 2005-A						
Principal	\$ 16,995,000	17,845,000	18,735,000	19,670,000	20,655,000	118,320,000
Interest	39,275,702	38,425,953	37,533,703	36,596,953	35,613,452	163,023,837
Series 2005-B						
Principal	3,085,000	3,185,000	3,290,000	3,400,000	3,510,000	19,370,000
Interest	504,688	485,927	466,555	446,540	425,865	1,794,624
Series 2006						
Principal	14,115,000	14,785,000	15,485,000	16,225,000	16,940,000	98,065,000
Interest	34,229,050	33,557,113	32,859,912	32,115,563	31,405,037	143,651,187
Series 2006-A						
Principal	2,275,000	3,215,000	4,185,000	5,115,000	6,045,000	64,985,000
Interest	49,726,500	49,635,500	49,506,900	49,339,500	49,134,900	239,954,200
Series 2006-B						
Principal	0	0	0	0	0	0
Interest	390,000	390,000	390,000	390,000	390,000	1,950,000
Series 2007						
Principal	250,000	250,000	250,000	2,350,000	5,130,000	61,205,000
Interest	48,759,263	48,749,262	48,739,263	48,729,262	48,635,263	237,273,063
Series 2008						
Principal	2,925,000	7,490,000	11,245,000	13,625,000	15,645,000	108,930,000
Interest	53,298,200	53,166,575	52,792,075	52,229,825	51,548,575	243,972,375
Series 2009-A						
Principal	0	0	0	0	0	420,000
Interest	66,582,669	66,582,669	66,582,669	66,582,669	66,582,669	332,913,346
SHF Revenue Bonds						
Series 2006						
Principal	22,030,000	23,105,000	24,240,000	25,435,000	26,680,000	154,635,000
Interest	25,835,100	24,760,100	23,623,850	22,429,850	21,184,850	84,681,500
Series 2006-A						
Principal	36,415,000	38,155,000	40,075,000	42,070,000	44,185,000	254,140,000
Interest	36,787,425	35,041,675	33,133,925	31,130,175	29,015,250	111,859,275
Series 2006-B						
Principal	0	0	0	0	0	0
Interest	330,000	330,000	330,000	330,000	330,000	1,650,000
Series 2007						
Principal	45,090,000	47,295,000	49,585,000	51,960,000	54,500,000	315,775,000
Interest	57,494,375	55,289,875	53,000,125	50,625,875	48,084,750	197,154,250
Series 2008						
Principal	5,675,000	5,955,000	6,255,000	6,530,000	6,835,000	39,365,000
Interest	7,899,900	7,616,150	7,318,400	7,042,625	6,735,250	28,492,838
Series 2010						
Principal	0	0	0	0	0	0
Interest	50,625,978	77,226,067	77,226,068	77,226,067	77,226,068	386,130,339
Total	620,593,850	652,536,866	656,848,445	661,594,904	666,436,929	3,409,710,834
Less Interest	471,738,850	491,256,866	483,503,445	475,214,904	466,311,929	2,174,500,834
Total Principal	\$ 148,855,000	161,280,000	173,345,000	186,380,000	200,125,000	1,235,210,000

2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	Requirements
147,210,000	187,880,000	271,025,000	0	0	818,335,000
134,137,688	93,466,437	39,814,738	0	0	617,888,463
22,775,000	26,785,000	0	0	0	85,400,000
1,165,413	425,608	0	0	0	5,715,220
125,125,000	159,160,000	203,130,000	30,000,000	0	693,030,000
116,594,563	82,557,000	38,584,750	1,425,000	0	546,979,175
171,500,000	313,520,000	467,540,000	0	0	1,038,380,000
213,900,000	159,183,850	66,988,500	0	0	927,369,850
0	0	19,890,000	130,110,000	0	150,000,000
1,950,000	1,950,000	1,928,453	197,333	0	9,925,786
107,895,000	166,530,000	251,525,000	409,300,000	0	1,004,685,000
217,503,063	186,037,262	141,196,499	34,150,500	0	1,059,772,700
165,495,000	239,800,000	332,530,000	201,315,000	0	1,099,000,000
211,380,125	162,963,625	96,681,538	15,334,662	0	993,367,575
16,950,000	58,120,000	116,035,000	1,016,970,000	0	1,208,495,000
331,685,108	323,018,476	301,206,960	189,654,323	0	1,811,391,558
197,355,000	45,585,000	0	0	0	519,065,000
41,961,750	2,279,250	0	0	0	246,756,250
298,160,000	0	0	0	0	753,200,000
40,013,350	2,081,000	0	0	0	319,062,075
25,755,000	74,245,000	0	0	0	100,000,000
1,614,587	142,922	0	0	0	5,057,509
402,845,000	190,750,000	0	0	0	1,157,800,000
110,077,500	14,422,500	0	0	0	586,149,250
50,190,000	36,785,000	0	0	0	157,590,000
17,674,912	3,928,312	0	0	0	86,708,387
218,615,000	1,281,385,000	0	0	0	1,500,000,000
375,378,212	234,023,050	0	0	0	1,355,061,849
3,764,906,271	4,047,024,292	2,348,076,438	2,028,456,818	0	18,856,185,647
1,815,036,271	1,266,479,292	686,401,438	240,761,818	0	8,571,205,647
1,949,870,000	2,780,545,000	1,661,675,000	1,787,695,000	0	10,284,980,000

SCHEDULE 2C

DEBT SERVICE REQUIREMENTS

For the Fiscal Year Ended August 31, 2010



Business Type Activities						
Description of Issue	2011	2012	2013	2014	2015	2016-2020
CTTS Revenue Bonds						
Series 2002-A						
Principal	\$ 0	4,505,000	7,710,000	10,155,000	12,605,000	167,510,000
Interest	37,161,837	37,161,838	37,161,837	37,161,838	37,161,837	185,809,188
Series 2009						
Principal	0	0	0	0	0	0
Interest	7,463,750	7,463,750	7,463,750	7,463,750	7,463,750	37,318,750
Total	44,625,587	49,130,588	52,335,587	54,780,588	57,230,587	390,637,938
Less Interest	44,625,587	44,625,588	44,625,587	44,625,588	44,625,587	223,127,938
Total Principal	\$ 0	4,505,000	7,710,000	10,155,000	12,605,000	167,510,000

Component Unit Activities						
Description of Issue	2011	2012	2013	2014	2015	2016-2020
TxPABSTC Revenue Bonds						
NTE Mobility Partners LLC						
Principal	\$					
Interest	13,936,891	27,873,781	27,873,781	27,873,782	27,873,781	139,368,906
LBJ Infrastructure Group LLC						
Principal						
Interest	22,851,256	43,757,725	43,757,725	43,757,725	43,757,725	218,788,625
Total	36,788,147	71,631,506	71,631,506	71,631,507	71,631,506	358,157,531
Less Interest	36,788,147	71,631,506	71,631,506	71,631,507	71,631,506	358,157,531
Total Principal	\$ 0	0	0	0	0	0

2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	Requirements
294,190,000	509,610,000	631,160,000	779,525,000	267,995,000	2,684,965,000
185,809,187	185,809,188	185,809,187	162,271,313	18,308,925	1,109,626,175
0	0	0	0	149,275,000	149,275,000
37,318,750	37,318,750	37,318,750	37,318,750	14,927,500	238,840,000
517,317,937	732,737,938	854,287,937	979,115,063	450,506,425	4,182,706,175
223,127,937	223,127,938	223,127,937	199,590,063	33,236,425	1,348,466,175
294,190,000	509,610,000	631,160,000	779,525,000	417,270,000	2,834,240,000

2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	Requirements
		166,755,000	233,245,000	0	400,000,000
139,368,906	139,368,907	116,724,000	50,235,281	0	710,498,016
		254,430,000	360,570,000	0	615,000,000
218,788,625	218,788,625	187,254,313	85,076,775	1,441,475	1,128,020,594
358,157,531	358,157,532	725,163,313	729,127,056	1,441,475	2,853,518,610
358,157,531	358,157,532	303,978,313	135,312,056	1,441,475	1,838,518,610
0	0	421,185,000	593,815,000	0	1,015,000,000

SCHEDULE 2D
Analysis of Funds for Debt Service
For the Fiscal Year Ended August 31, 2010

Governmental Activities

Description of Issue	Application of Funds	
	Principal	Interest
State of Texas Gen Obl Bds	\$ 34,730,000	\$ 267,756,638
Total	<u>\$ 34,730,000</u>	<u>\$ 267,756,638</u>

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2010			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
SHF First Tier Revenue Bds	\$ 5,442,494,159	(A)	\$ 104,100,000	\$ 133,385,526
Total	<u>\$ 5,442,494,159</u>	<u>\$ -</u>	<u>\$ 104,100,000</u>	<u>\$ 133,385,526</u>

(A) - Expenditures associated with pledged sources were \$6,085,683,716

Business-Type Activities

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2010			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
First Tier Revenue Bonds	\$ 79,944,067	(B)	\$ -	\$ 44,625,588
Total	<u>\$ 79,944,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,625,588</u>

(B) - Expenditures associated with pledged sources were \$206,671,293

Construction in Progress & Right of Way as of 8/31/2009	\$638,428,380
Buildings / Infrastructure, Net of Accumulated Depreciation	2,010,456,170
<i>FY 2010 Activity:</i>	
Capital Outlay	18,552,040
Depreciation	(17,337,806)
<i>Total Capital Assets</i>	<u>2,650,098,784</u>
Less: Roadways	(1,631,036,702)
Less: Land Use Rights	(16,525,986)
Less: Buildings - net of accumulated depreciation \$1,629,335	(6,730,671)
Less: Infrastructure - net of accumulated depreciation \$56,836,537	(364,365,360)
<i>Right of Way per Exhibit III</i>	<u>\$631,440,065</u>

Component Unit

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2010			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
Component Unit Revenue Bonds	\$ -	(C)	\$ -	\$ 15,020,871
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,020,871</u>

(C) - Expenditures associated with pledged sources were \$0



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**Produced by the Finance Division
Texas Department of Transportation**

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