

# Annual Financial Report

(Unaudited)



For the Fiscal Year ended August 31, 2007



# Texas Department of Transportation

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

November 20, 2007

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 for the year ended August 31, 2007, 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 at (512) 486-5314.

Sincerely,

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

Enclosure

THE TEXAS PLAN

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

*An Equal Opportunity Employer*

## TABLE OF CONTENTS

### COMBINED FINANCIAL STATEMENTS

Exhibit I	Combined Balance Sheet/Statement of Net Assets-Governmental Funds .....	2
Exhibit II	Combined Statement of Revenues, Expenditures and Changes in Fund Balances/ Statement of Activities-Governmental Funds .....	8
Exhibit III	Statement of Net Assets-Proprietary Funds .....	12
Exhibit IV	Statement of Revenues, Expenses and Changes in Net Assets- Proprietary Funds .....	13
Exhibit V	Statement of Cash Flows-Proprietary Funds .....	14
Exhibit VI	Statement of Fiduciary Net Assets-Fiduciary Funds .....	16

### NOTES TO THE FINANCIAL STATEMENTS

1	Summary of Significant Accounting Policies .....	17
2	Capital Assets .....	32
3	Deposits, Investments, and Repurchase Agreements .....	33
4	Short Term Debt .....	36
5	Summary of Long Term Liabilities .....	36
6	Capital Leases .....	38
7	Operating Lease Obligations .....	39
8	Interfund Balances/Activities .....	39
9	Contingent Liabilities .....	43
10	Continuance Subject to Review .....	45
11	Risk Financing & Related Insurance .....	45
12	Segment Information .....	45
13	Bonded Indebtedness .....	45
14	Subsequent Events .....	54
15	Related Parties .....	54
16	Stewardship, Compliance, & Accountability .....	54
17	The Financial Reporting Entity .....	54
18	Restatement of Fund Balances and Net Assets .....	54
19	Employees' Retirement Plans .....	55
20	Deferred Compensation .....	55
21	Donor-Restricted Endowments .....	55
22	Management Discussion and Analysis .....	55
23	Post Employment Health Care and Life Insurance Benefits .....	56
24	Special or Extraordinary Items .....	56
25	Disaggregation of Receivable and Payable Balances .....	56
26	Termination Benefits .....	56
27	Pass Through Tolls .....	56

Required Supplementary Information .....	58
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## TABLE OF CONTENTS (Concluded)

### **COMBINING FINANCIAL STATEMENTS**

Exhibit A-1	Combining Balance Sheet - All General and Consolidated Funds .....	62
Exhibit A-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances- All General and Consolidated Funds .....	64
Exhibit B-1	Combining Balance Sheet – Special Revenue Funds .....	66
Exhibit B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Special Revenue Funds .....	68
Exhibit C	Combining Statement of Changes in Assets and Liabilities-Agency Funds .....	70

### **ADDENDUM**

General Comments .....	73
Organization .....	74
Headquarters Offices and Divisions .....	74
Administrative and Key Personnel as of August 31, 2007.....	83
Organization Chart .....	87

### **SCHEDULES**

1A	Schedule of Expenditures of Federal Awards.....	90
1B	Schedule of State Pass-Through Grants from/to State Agencies .....	97
2A	Miscellaneous Bond Information .....	98
2B	Changes in Bonded Indebtedness .....	99
2C	Debt Service Requirements .....	100
2D	Analysis of Funds Available for Debt Service .....	102

# Combined Financial Statements



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**EXHIBIT I**

**COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS  
August 31, 2007**

	GOVERNMENTAL FUND TYPES			
	GENERAL (EXH A-1)	SPECIAL REVENUE (EXH B-1)	CAPITAL PROJECTS (7604) * U/F (7604)	GOVERNMENTAL FUNDS TOTAL
	\$	\$	\$	\$
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents				
Cash on Hand		1,981,791		1,981,791
Cash in Bank (Note 3)		253,486,017		253,486,017
Cash in State Treasury (Note A)	1,221,038	1,626,732,596		1,627,953,634
Legislative Appropriations	575,917			575,917
Receivables from:				
Federal		235,774,218		235,774,218
Other Intergovernmental (Note B)		176,385,957		176,385,957
Interest and Dividends		10,308,391		10,308,391
Accounts Receivable		17,253,689		17,253,689
Due from Other Funds (Note 8)		139,228,420		139,228,420
Due from Other Agencies (Note 8)		190,343,774	1,549,831	191,893,605
Consumable Inventories		89,573,887		89,573,887
Loans and Contracts [Note 1 F(4)]	53,128	10,702,615		10,755,743
<b>Total Current Assets</b>	<b>1,850,083</b>	<b>2,751,771,355</b>	<b>1,549,831</b>	<b>2,755,171,269</b>
<b>Non-Current Assets:</b>				
Federal Receivable		11,138,145		11,138,145
Loans and Contracts [Note 1 F(4)]	449,569	223,104,569		223,554,138
<b>Capital Assets:</b>				
<b>Non-Depreciable</b>				
Land and Land Improvements				0
Infrastructure				0
Construction in Progress				0
<b>Depreciable</b>				
Building and Building Improvements				0
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
Other Capital Assets				0
Less Accumulated Depreciation				0
Other Non-Current Assets		13,842,660		13,842,660
<b>Total Non-Current Assets</b>	<b>449,569</b>	<b>248,085,374</b>	<b>0</b>	<b>248,534,943</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,299,652</b>	<b>\$ 2,999,856,729</b>	<b>\$ 1,549,831</b>	<b>\$ 3,003,706,212</b>

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSET ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF NET ASSETS
\$	\$	\$	\$
			1,981,791
			253,486,017
			1,627,953,634
			575,917
			235,774,218
			176,385,957
			10,308,391
			17,253,689
			139,228,420
			191,893,605
			89,573,887
			10,755,743
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,755,171,269</u>
			11,138,145
			223,554,138
6,909,313,824			6,909,313,824
41,356,833,592			41,356,833,592
4,438,318,660			4,438,318,660
259,845,644			259,845,644
(143,160,008)			(143,160,008)
15,951,670,123			15,951,670,123
(8,972,334,794)			(8,972,334,794)
164,719,605			164,719,605
(105,364,161)			(105,364,161)
637,349,329			637,349,329
(341,144,060)			(341,144,060)
8,924,181			8,924,181
(2,357,114)			(2,357,114)
			13,842,660
<u>60,162,614,821</u>	<u>0</u>	<u>0</u>	<u>60,411,149,764</u>
<u>\$ 60,162,614,821</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,166,321,033</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)	CAPITAL PROJECTS (7604) * U/F (7604)	GOVERNMENTAL FUNDS TOTAL
<b>LIABILITIES AND FUND BALANCES</b>	\$	\$	\$	\$
Current Liabilities:				
Payables from				
Accounts Payable	76,546	939,156,784	1,549,831	940,783,161
Contracts Payable [Note 1 F(8)]		302,921,079		302,921,079
Payroll Payable	106,637	63,342,382		63,449,019
Interest Payable		92,043,437		92,043,437
Due to Other Funds (Note 8)	74,571	137,608,202		137,682,773
Due to Other Agencies (Note 8)	569,152	193,215,524		193,784,676
Deferred Revenues		330,133,267		330,133,267
Short Term Debt (Note 4)		158,000,000		158,000,000
Revenue Bonds Payable (Note 5)				0
General Obligation Bonds Payable (Note 5)				0
Employees Compensable Leave (Note 5)				0
Total Current Liabilities	<u>826,906</u>	<u>2,216,420,675</u>	<u>1,549,831</u>	<u>2,218,797,412</u>
Non-Current Liabilities:				
Revenue Bonds Payable (Note 5)				0
General Obligation Bonds Payable (Note 5)				0
Employees Compensable Leave (Note 5)				0
Total Non-Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>826,906</u>	<u>2,216,420,675</u>	<u>1,549,831</u>	<u>2,218,797,412</u>
<b>Fund Financial Statement-Fund</b>				
Fund Balances (Deficits):				
Reserved For:				
Encumbrances		151,201,200		151,201,200
Inventories		89,573,887		89,573,887
Imprest		164,473		164,473
Loans & Contracts	502,697	233,807,184		234,309,881
Unreserved:				
Designated For Other:				
Highway Construction and Maintenance		211,022,689		211,022,689
State Infrastructure Bank		96,551,907		96,551,907
Undesignated:				
Unencumbered Legislative Appropriations:				
Future Operations	473,424			473,424
Consolidated Funds	496,625			496,625
Texas Transportation Corporations		1,114,714		1,114,714
TOTAL FUND BALANCES	<u>1,472,746</u>	<u>783,436,054</u>	<u>0</u>	<u>784,908,800</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,299,652</u>	<u>\$ 2,999,856,729</u>	<u>\$ 1,549,831</u>	<u>\$ 3,003,706,212</u>

GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

CAPITAL ASSET ADJUSTMENTS	LONG-TERM LIABILITIES ADJUSTMENTS	OTHER ADJUSTMENTS	STATEMENT OF NET ASSETS
\$	\$	\$	\$
			940,783,161
			302,921,079
			63,449,019
			92,043,437
			137,682,773
			193,784,676
		(11,138,145)	318,995,122
			158,000,000
	50,670,000		50,670,000
	30,900,000		30,900,000
	56,702,898		56,702,898
<u>0</u>	<u>138,272,898</u>	<u>(11,138,145)</u>	<u>2,345,932,165</u>
	1,481,070,000		1,481,070,000
	3,855,850,000		3,855,850,000
	13,131,823		13,131,823
<u>0</u>	<u>5,350,051,823</u>	<u>0</u>	<u>5,350,051,823</u>
<u>0</u>	<u>5,488,324,721</u>	<u>(11,138,145)</u>	<u>7,695,983,988</u>
			151,201,200
			89,573,887
			164,473
			234,309,881
			211,022,689
			96,551,907
			473,424
			496,625
			1,114,714
<u>0</u>	<u>0</u>	<u>0</u>	<u>784,908,800</u>
<u>0</u>	<u>5,488,324,721</u>	<u>(11,138,145)</u>	<u>8,480,892,788</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)	CAPITAL PROJECTS (7604) * U/F (7604)	GOVERNMENTAL FUNDS TOTAL
	\$	\$	\$	\$
<b>Government-wide Statement-Net Assets</b>				
Net Assets:				
Invested in Capital Assets, Net of Related Debt				
Restricted for:				
Other				
Unrestricted				
<b>Total Net Assets</b>				

Note (A):

	Cash in State Treasury
Consolidated Fund 0071	\$ 577,315
Consolidated Fund 0900	125,534
Consolidated Fund 5015	518,189
<b>TOTAL</b>	<b>\$ 1,221,038</b>

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

	Other Intergovernmental Receivable
Sales of Goods and Services	\$ 78,547,448
Licenses, Fees and Permits	97,838,509
<b>Total</b>	<b>\$ 176,385,957</b>

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
\$	\$	\$	\$
60,162,614,821	(4,772,660,626)		55,389,954,195
	(645,829,374)		(645,829,374)
	(69,834,721)	11,138,145	(58,696,576)
<u>60,162,614,821</u>	<u>(5,488,324,721)</u>	<u>11,138,145</u>	<u>54,685,428,245</u>

**EXHIBIT II**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, & CHANGES  
IN FUND BALANCES/STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
For the fiscal year ended August 31, 2007**

	GOVERNMENTAL FUND TYPES			
	GENERAL (EXH A-2)	SPECIAL REVENUE (EXH B-2)	CAPITAL PROJECTS FUND (7604)* U/F (7604)	GOV'T FUNDS TOTAL
<b>REVENUES:</b>	\$	\$	\$	\$
Legislative Appropriations:				
Original Appropriations	965,133			965,133
Add'l Appropriations	307,471			307,471
Taxes		36,826,897		36,826,897
Federal Revenues		1,941,088,023		1,941,088,023
Federal Grant Pass Through Revenues		52,520,146		52,520,146
Licenses, Fees and Permits [Note 1 H(4)]	936,179	1,208,391,789		1,209,327,968
Interest & Investment Income		181,172,639		181,172,639
Land Income		4,010,886		4,010,886
Settlement of Claims		222,506		222,506
Sales of Goods and Services	1,739,662	242,385,443		244,125,105
Other Revenues		21,474,727		21,474,727
<b>TOTAL REVENUES:</b>	<u>3,948,445</u>	<u>3,688,093,056</u>	<u>0</u>	<u>3,692,041,501</u>
<b>EXPENDITURES:</b>				
Salaries and Wages	1,341,872	631,683,100		633,024,972
Payroll Related Costs	405,807	218,626,564		219,032,371
Professional Fees and Services	4,514	530,584,171		530,588,685
Travel	69,689	6,860,450		6,930,139
Materials and Supplies	11,599	272,973,985		272,985,584
Communications and Utilities	10,971	57,275,932		57,286,903
Repairs and Maintenance	185	1,435,220,131		1,435,220,316
Rentals and Leases	2,115	13,303,082		13,305,197
Printing and Reproduction		10,010,702		10,010,702
Claims and Judgments		10,945,250		10,945,250
Federal Pass Through Expenditures		25,235,634		25,235,634
State Grant Pass Through Expenditures		27,010,311		27,010,311
Intergovernmental Payments	7,353,208	137,279,930	14,849,649	159,482,787
Public Assistance Payments		108,859,769		108,859,769
Other Expenditures	46,160	192,270,204		192,316,364
Principal on State Bonds		56,180,000		56,180,000
Interest on State Bonds		202,792,270		202,792,270
Other Financing Fees		1,512,224		1,512,224
Capital Outlay		4,162,953,911		4,162,953,911
Depreciation Expense				0
<b>TOTAL EXPENDITURES:</b>	<u>9,246,120</u>	<u>8,101,577,620</u>	<u>14,849,649</u>	<u>8,125,673,389</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES:</b>	<u>(5,297,675)</u>	<u>(4,413,484,564)</u>	<u>(14,849,649)</u>	<u>(4,433,631,888)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In [Note 1 H (7)]	1,364,169	4,020,921,157	14,849,649	4,037,134,975
Operating Transfers Out [Note 1 H (7)]	(46,117)	(2,537,519,924)		(2,537,566,041)
Bond & Note Proceeds		3,149,155,000		3,149,155,000
Insurance Recoveries		719,463		719,463
Sale of Capital Assets	4,152,293	4,405,583		8,557,876
Gain (Loss) on Sale of Capital Assets				
Increase in Net Assets Due to Interagency Transfer				
Decrease in Net Assets Due to Interagency Transfer				
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>5,470,345</u>	<u>4,637,681,279</u>	<u>14,849,649</u>	<u>4,658,001,273</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
\$	\$	\$	\$
			965,133
			307,471
			36,826,897
		(15,613,529)	1,925,474,494
			52,520,146
			1,209,327,968
			181,172,639
			4,010,886
			222,506
			244,125,105
			21,474,727
<u>0</u>	<u>0</u>	<u>(15,613,529)</u>	<u>3,676,427,972</u>
	4,534,577		637,559,549
			219,032,371
			530,588,685
			6,930,139
			272,985,584
			57,286,903
			1,435,220,316
			13,305,197
			10,010,702
			10,945,250
			25,235,634
			27,010,311
			159,482,787
			108,859,769
			192,316,364
	(56,180,000)		0
			202,792,270
			1,512,224
(4,162,953,911)			0
552,502,342			552,502,342
<u>(3,610,451,569)</u>	<u>(51,645,423)</u>	<u>0</u>	<u>4,463,576,397</u>
<u>3,610,451,569</u>	<u>51,645,423</u>	<u>(15,613,529)</u>	<u>(787,148,425)</u>
			4,037,134,975
	(3,149,155,000)		(2,537,566,041)
			0
			719,463
(8,557,876)			0
(1,013,794)			(1,013,794)
218,133			218,133
(17,588)			(17,588)
<u>(9,371,125)</u>	<u>(3,149,155,000)</u>	<u>0</u>	<u>1,499,475,148</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)	CAPITAL PROJECTS FUND (7604)* U/F (7604)	GOVT FUNDS TOTAL
<b>Net change in Fund Balances/Net Assets</b>	\$ 172,670	\$ 224,196,715	\$ 0	\$ 224,369,385
<b>Fund Financial Statement - Fund Balances</b>				
<b>FUND BALANCES, Sept. 1, 2006</b>	1,300,076	559,239,339		560,539,415
<b>FUND BALANCES, Aug. 31, 2007 (Exh. I)</b>	<u>\$ 1,472,746</u>	<u>\$ 783,436,054</u>	<u>\$ 0</u>	<u>\$ 784,908,800</u>
<b>Government-wide Statement of Net Assets</b>				
Net Assets/Net Change in Net Assets				
Net Assets-Beginning				
Restatements (Note 18)				
Net Assets-September 1, 2006, as restated				
Net Assets as of August 31, 2007				

\* 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
\$ 3,601,080,444	\$ (3,097,509,577)	\$ (15,613,529)	\$ 712,326,723
			560,539,415
			784,908,800
<u>3,601,080,444</u>	<u>(3,097,509,577)</u>	<u>(15,613,529)</u>	<u>487,957,338</u>
56,565,350,970	(2,390,815,144)	26,751,674	54,201,287,500
(3,816,593)			(3,816,593)
<u>56,561,534,377</u>	<u>(2,390,815,144)</u>	<u>26,751,674</u>	<u>54,197,470,907</u>
<u>\$ 60,162,614,821</u>	<u>\$ (5,488,324,721)</u>	<u>\$ 11,138,145</u>	<u>\$ 54,685,428,245</u>



**EXHIBIT III**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
August 31, 2007**

	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
	\$	\$
<b>ASSETS</b>		
Current Assets:		
Cash on Hand	44,263	44,263
Cash in Bank (Note 3)	9,921,017	9,921,017
Short Term Investments	545,192,798	545,192,798
Receivable:		
Interest and Dividends	3,695,995	3,695,995
Local Governments	2,071,255	2,071,255
NTTA	329,806	329,806
<b>Total Current Assets</b>	<u>561,255,134</u>	<u>561,255,134</u>
Non-Current Assets:		
Restricted:		
Cash In State Treasury	127,156	127,156
Investments	120,976,966	120,976,966
Deferred Charges	47,689,533	47,689,533
Capital Assets:		
Non- Depreciable		
Land	610,604,766	610,604,766
Roadways	1,073,996,517	1,073,996,517
Construction in Progress	518,413,907	518,413,907
Depreciable		
Buildings	7,728,382	7,728,382
less Accumulated Depreciation	(546,334)	(546,334)
Infrastructure	367,341,057	367,341,057
less Accumulated Depreciation	(7,725,347)	(7,725,347)
<b>Total Non- Current Assets</b>	<u>2,738,606,603</u>	<u>2,738,606,603</u>
<b>Total Assets</b>	<u>3,299,861,737</u>	<u>3,299,861,737</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payables		
Accounts Payable	38,727,112	38,727,112
Contracts Payable - Retainage	13,248,565	13,248,565
Payable to CTRMA	615,893	615,893
Payable to HCTRA	41,775	41,775
Deferred Revenue	40,837,735	40,837,735
Payable From Restricted Assets-Current Portion	13,098,129	13,098,129
Due to Other Funds (Note 8)	1,545,647	1,545,647
Notes/Loans Payable (BANS) (Note 5)	786,411,630	786,411,630
<b>Total Current Liabilities</b>	<u>894,526,486</u>	<u>894,526,486</u>
Non-Current Liabilities:		
Revenue Bonds Payable (Note 5)	1,434,608,570	1,434,608,570
Notes/Loans Payable (TIFIA) (Note 5)	124,930,000	124,930,000
<b>Total Non-Current Liabilities</b>	<u>1,559,538,570</u>	<u>1,559,538,570</u>
<b>Total Liabilities</b>	<u>2,454,065,056</u>	<u>2,454,065,056</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, net of related debt	845,796,681	845,796,681
<b>Total Net Assets</b>	<u>\$ 845,796,681</u>	<u>\$ 845,796,681</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, 2007**

	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
<b>Operating Revenues</b>		
Toll Receipts	\$ 16,743,690	\$ 16,743,690
<b>Total Operating Revenues</b>	<u>16,743,690</u>	<u>16,743,690</u>
<b>Operating Expenses</b>		
Professional Fees and Services	(53,337)	(53,337)
Materials and Supplies	(1,089,459)	(1,089,459)
Communication and Utilities	(561,225)	(561,225)
Repairs and Maintenance	(3,097,147)	(3,097,147)
Depreciation and Amortization Expense	(1,309,471)	(1,309,471)
Prompt Payment Interest	(23,962)	(23,962)
Contracted Services-Laborers	(16,167,968)	(16,167,968)
Advertising	(2,810,896)	(2,810,896)
Other Operating Expenses	(243,641)	(243,641)
<b>Total Operating Expenses</b>	<u>(25,357,106)</u>	<u>(25,357,106)</u>
<b>Operating Income (Loss)</b>	<u>(8,613,416)</u>	<u>(8,613,416)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Lease Revenue	12,864	12,864
Interest and Investment Income	31,894,867	31,894,867
Interest Expense	(65,005,276)	(65,005,276)
Accretion on Capital Appreciation Bonds	(23,731,792)	(23,731,792)
Net Realized and Unrealized (Loss) on Investments	(249,652)	(249,652)
Settlement of Claims	16,799	16,799
Other Financing Fees	(283,484)	(283,484)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(57,345,674)</u>	<u>(57,345,674)</u>
<b>Income (Loss) before Other Revenues, Expenses, Gains/Losses and Transfers</b>	<u>(65,959,090)</u>	<u>(65,959,090)</u>
<b>Other Revenues, (Expenses), Gains/(Losses) and Transfers</b>		
Capital Contributions	2,156,549	2,156,549
Operating Transfer In [Note 1 H(7)]	147,880,001	147,880,001
<b>Total Other Revenues, (Expenses), Gains/(Losses) and Transfers</b>	<u>150,036,550</u>	<u>150,036,550</u>
<b>Change in Net Assets</b>	<u>84,077,460</u>	<u>84,077,460</u>
<b>Total Net Assets, September 1, 2006</b>	761,719,221	761,719,221
<b>Total Net Assets, August 31, 2007</b>	<u>\$ 845,796,681</u>	<u>\$ 845,796,681</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, 2007**



<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
	\$	\$
Receipts from Customers	24,720,889	24,720,889
Payments to Vendors	(23,290,345)	(23,290,345)
<b>Net Cash Provided by Operating Activities</b>	<u>1,430,544</u>	<u>1,430,544</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Leave Revenue	12,864	12,864
Proceeds from Capital Contributions	1,836,831	1,836,831
Capitalized Interest Payments	(98,636,318)	(98,636,318)
Payments for Additions to Land and Construction in Progress	(204,993,858)	(204,993,858)
Payments for Remarketing Fees and Other Costs	(283,484)	(283,484)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>(302,063,965)</u>	<u>(302,063,965)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	897,050,444	897,050,444
Proceeds from Interest and Investment Income, net of fees	47,263,122	47,263,122
Payments to Acquire Investments	(577,115,558)	(577,115,558)
<b>Net Cash Provided by Investing Activities</b>	<u>367,198,008</u>	<u>367,198,008</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>66,564,587</u>	<u>66,564,587</u>
Cash and Cash Equivalents - September 1, 2006	395,005,233	395,005,233
<b>Cash and Cash Equivalents - August 31, 2007</b>	<u>\$ 461,569,820</u>	<u>\$ 461,569,820</u>

**EXHIBIT V**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONCLUDED)**  
**For the Fiscal Year Ended August 31, 2007**



	(0865)* U/F 0865	ENTERPRISE FUND TOTAL
	\$ _____	\$ _____
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	<u>(8,613,416)</u>	<u>(8,613,416)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Amortization and Depreciation	1,309,471	1,309,471
Operating Income and Cash Flow Categories Classification Differences		
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(682,335)	(682,335)
Increase (Decrease) in Payables	1,420,228	1,420,228
Increase (Decrease) in Due to Other Funds	2,147,063	2,147,063
Increase (Decrease) in Deferred Revenue	<u>5,849,533</u>	<u>5,849,533</u>
Total Adjustments	<u>10,043,960</u>	<u>10,043,960</u>
Net Cash Provided by Operating Activities	<u>\$ 1,430,544</u>	<u>\$ 1,430,544</u>

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

Enterprise Fund 865 is reporting Unrealized and Realized Loss of \$249,652 for the twelve month period ended August 31, 2007.

**Reconciliation of Cash**

Open-end Mutual Funds classified in Short Term Investments	\$ 451,477,384
Cash and Cash Equivalents	<u>10,092,436</u>
	<u>\$ 461,569,820</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, 2007

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	Agency Funds (EXH C)
	\$ _____
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	
Cash on Hand	472,912
Cash In State Treasury	99,809,349
Total Current Assets	<u>100,282,261</u>
Total Assets	<u>100,282,261</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Payables	
Other Intergovernmental Payables	6,537,457
Funds Held for Others	93,744,804
Total Current Liabilities	<u>100,282,261</u>
Total Liabilities	<u>100,282,261</u>
<b>NET ASSETS</b>	
Total Net Assets	<u><u>\$ 0</u></u>

# **Notes to the Financial Statements**

## NOTES TO THE FINANCIAL STATEMENTS

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### **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 and an executive director selected by the "Commission" is an agency of the State of Texas. Its operations are conducted by a central office with twenty-one functional divisions, six offices, 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.

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).

H.B. 2845, signed June 1995, established the seven member Texas Automobile Theft Prevention Authority in the Texas Department of Transportation. The Authority is not an advisory body to TxDOT. TxDOT provides the Authority with staffing assistance and related administration services to implement Authority decisions.

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

#### **Blended Component Units**

The Texas Transportation Corporations, created pursuant to H.B. 1986 - Article 15281 to perform many functions normally undertaken by the department, have been included in the reporting entity because it is the professional judgment of management that the department exercises sufficient authority over assets, operations, and management to warrant their inclusion. As a result, the Texas Transportation Corporations are shown as a special revenue fund, Fund 999 [See Note 1C-(4)]. Even though the Texas Transportation Corporations are a part of the Texas Department of Transportation accounting entity, inclusion of these corporations should not be taken as an admission for legal proceedings that the state is liable for debts of these corporations, nor is entitled to the assets of these corporations.

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### 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 are 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. As of September 1, 2001, the Texas



Collegiate License Plate Account and Suspense Fund 900 were consolidated into the General Revenue Fund. The Texas Collegiate License Plate Account and Suspense Fund 900 were previously presented as Agency Funds.

- 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.) Suspense Fund (900) - This fund is used to temporarily hold and account for receipts, until the correct disposition of the items is determined.
  - 3.) Texas Collegiate License Plate Account (5015) - This fund is used to receive and account for fees charged from special collegiate license plates in addition to motor vehicle registration fees.
- (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 receives federal along with state matching funds. This account also 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.
- (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 to be financed primarily from the sale of obligations of the state, appropriations made by the legislature of revenue, including taxes, other money not otherwise dedicated by the construction and money received from a regional mobility authority that determines it has surplus revenue from turnpike projects and chooses to send the excess to the fund.
- (e) Local Fund (999) - This fund presents the combined activities of the one transportation corporation [See Note 1C-(4)].
- (f) 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.
- (g) Capital Asset Adjustment Fund Type - The Capital Asset Adjustment Fund Type will be used to convert

governmental fund types' capital assets from modified accrual to full accrual.

- (h) Long - Term Liabilities Adjustment Fund Type - The Long - Term Liabilities Adjustment Fund Type will be 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, general obligation bonds, and revenue bonds.
- (i) Other Adjustment Fund Type - The Other Adjustments Fund Type will be 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 one year, to revenue under full accrual.
- (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: The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. 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. 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 certificate of title fees, oversize/overweight permit receipts, sales tax receipts and other collections of monies that are used to fund other state entities. During fiscal year 2007, this fund received \$ 2,226 in pay telephone receipts and no vending machine receipts.
- (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.
- (c) Employees' Savings Bond Account (901) - This fund receives and disburses employee payroll deductions for U.S. Savings Bonds.
- (d) 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).
- (e) Direct Deposit Correction Account (980) - This fund is 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 #14 requires government entities to describe any component units of the primary government, as well as the method used to report their activities. The one Texas Transportation Corporation is considered a component unit, per GASB #14. It is presented in the financial statements of the department as a special revenue fund, Fund 999.

This transportation corporation is a nonprofit organization which may (1) contract with the department to construct and/or improve projects designated by the department, (2) sell the projects to the department in accordance with the terms of the contract, and (3) 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, and as such, the department will assume responsibility for their maintenance.

This corporation may issue bonds and notes to finance the cost of its 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. As of August 31, 2007 this corporation had no bond issues outstanding. The Commission approves the creation of the corporation, 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 for 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 will 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 \$ 754,626 as of August 31, 2007.

(4) Notes/Loans Receivable

The Fund 1 account represents loans of \$248,323 to the City of Castroville; \$199,765 to the City of Hondo; \$34,315 to the City of Paris; \$16,473 to Zapata County; and \$3,821 to Nueces County. Of this amount, \$53,128 is receivable within one year from August 31, 2007.

The Fund 6 account represents a 4.6 million dollar loan to the North Texas Tollway Authority and a \$3,950,416

loan to Alamo Regional Mobility Authority. This entire amount is considered long term.

The Fund 99 account represents loans of 135 million dollars to the North Texas Tollway Authority; \$24,011,001 to the City of Round Rock; \$19,500,000 to the City of Laredo; \$14,000,000 to the City of Kyle; \$5,932,916 to the City of El Paso; \$5,243,716 to the City of Mesquite; \$4,000,000 to the City of Corpus Christi; \$3,500,000 to Wise County; \$2,800,000 to the City of Kerrville; \$2,264,865 to Bexar County; \$2,004,394 to Hidalgo County; \$1,039,630 to the City of Baytown; \$851,016 to the City of Atlanta; \$605,551 to the City of Rockdale; \$550,000 to the City of Sequin; \$500,120 to the City of Cameron; \$409,718 to the City of Socorro; \$353,315 to the City of Kennedale; \$329,950 to Duck Creek Water Supply Corporation; \$314,864 to the City of W. Columbia; \$286,026 to the Town of Anthony; \$230,492 to Taylor County; \$229,458 to the City of Pinehurst; \$221,156 to Goliad County; \$184,810 to the City of Winnsboro; \$170,000 to the City of Sinton; \$125,507 to the City of Weatherford; \$108,029 to the City of Gregory; \$105,837 to the City of Robstown; \$101,292 to the City of Easton; \$86,326 to the City of Henderson; \$58,824 to the City of Clyde; \$55,191 to Horizon City; \$39,567 to the City of Stamford; \$24,223 to the City of Dawson; \$18,974 to Lavaca County for a total receivable of \$225,256,768. Of this amount, \$10,702,615 is receivable within one year from August 31, 2007.

(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.

Through fiscal year 2006, the Department reported 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 2007, the Department began revising the process by which it assesses the condition levels of the state's Interstate and Non-Interstate highways. The new process, known as the Texas Condition Assessment Program (TxCAP), will combine data from the Texas Maintenance Assessment Program (TxMAP), TxDOT's Pavement

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Management Information System (PMIS), and the Texas Traffic Assessment Program (TxTAP). As a result, TxCAP will provide a more comprehensive assessment of the Interstate and Non-Interstate highway systems.

(6) Non-Current Assets

For special revenue funds, the category of "Other Non-Current Assets" represents long-term interest receivables on Notes and Loans. For the proprietary funds, the costs associated with debt issuance totaled \$59,351,773. 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 \$47,689,533 as of August 31, 2007.

(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 Turnpike Authority Project Disbursing Account, 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. For contracts of the Central Texas Turnpike System, retainage is held by the Trustee, Bank of New York.

(9) Employee's 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.

(10) 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.

(11) Bonds Payable – Revenue Bonds

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

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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.

(12) 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, 2007.
- (c) Reserved for Inventories - This represents the amount of inventories held to be used in future periods.
- (d) 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, 2007.

(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, 2007.

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.

<u>Year</u>	<u>Apportionments</u>
2007	\$ 2,624,581,025
2006	2,788,187,765
2005	2,746,192,572
2004	2,476,675,713
2003	2,437,914,381

The department also 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.

Additionally, 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.

Finally, 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.



(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 public assistance grants, from the Texas Health and Human Services Commission for Department of Health and Human Services medical transportation program grants, from the Texas Commission on Environmental Quality for Environmental Protection Agency performance partnership 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. The Certificate of Title Act is administered by the department, 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: Three dollars (\$3) to the State Highway Fund, and five dollars (\$5) to the General Revenue Fund.

Motor vehicle registration fees are 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, are 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); 80% 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 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.

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 2007, the Texas Mobility Fund fee revenue was from United We Stand License Fees, Motor Vehicle Inspection Fees, and Driver Record Information Fees. Driver License Fees will be added in fiscal year 2008 and Certificate of Title Fees in fiscal year 2009.

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, the 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 2007, 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 2007, the department had numerous transfers between funds and agencies. Individual interfund and intrafund transfers at August 31, 2007, 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)	1,364,169		(a)
(Agency 902, Appd Fund 0001)		45,952	(b)
(Agency 902, Appd Fund 0001)		165	(c)
Total Transfers for D23 Fund 0001	1,364,169	46,117	
Appd Fund 0006, D23 Fund 0006:			
(Agency 241, Appd Fund 0006)		1,122,307	(d)
(Agency 302, Appd Fund 0006)		5,825,717	(e)
(Agency 347, Appd Fund 0507)		348,168	(f)
(Agency 347, Appd Fund 0735)		7,615	(f)
(Agency 360, Appd Fund 0006)		3,723,947	(g)
(Agency 405, Appd Fund 0006)		531,752,539	(h)
(Agency 529, Appd Fund 0006)		10,000,000	(i)

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>REFERENCE</u>
	\$	\$	
(Agency 601, Appd Fund 0365)	1,780,133,499		(j)
(Agency 601, Appd Fund 0865)		147,880,001	(k)
(Agency 701, Appd Fund 0006)		50,000,000	(l)
(Agency 727, Appd Fund 0001)		6,726,131	(m)
(Agency 902, Appd Fund 0001)	2,240,787,658		(n)
Total Transfers for D23 Fund 0006	<u>4,020,921,157</u>	<u>757,386,425</u>	
Appd Fund 0365, D23 Fund 0370/ 0371/0372:			
(Agency 601, Appd Fund 0006)		1,780,133,499	(j)
Total Transfers for D23 Fund 0370/0371/0372		<u>1,780,133,499</u>	
Appd Fund 0865, D23 Fund 0865:			
(Agency 601, Appd Fund 0006)	147,880,001		(k)
Total Transfers for D23 Fund 0865	<u>147,880,001</u>		
Appd Fund 7604, D23 Fund 7604:			
(Agency 347, D23 Fund 7604)	14,849,649		(o)
Total Transfers for D23 Fund 7604	<u>14,849,649</u>		
Total (Exh.II & Exh.IV)	<u>\$ 4,185,014,976</u>	<u>\$ 2,537,566,041</u>	

- (a) This reflects amounts transferred from the Comptroller's Office to the General Revenue Fund in accordance with S.B. 1, 79<sup>th</sup> Legislature, R.S., Section V11-27, Rider 36.
- (b) This reflects amounts transferred to the Comptroller's Office in accordance with Texas Government Code 403.021.
- (c) This reflects amounts transferred to the Comptroller's Office in accordance with Texas Government Code 2175.191.
- (d) 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.
- (e) This reflects amounts provided from the State Highway Fund to the Attorney General's Office, in accordance with statutory requirements.
- (f) This reflects amounts provided from the State Highway Fund for the Master Lease Purchase Program (MLPP)

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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.

- (g) This reflects amounts provided from the State Highway Fund to the State Office of Administrative Hearings, in accordance with statutory requirements.
- (h) This reflects amounts provided from the State Highway Fund to the Department of Public Safety, in accordance with statutory requirements.
- (i) This reflects amounts provided from the State Highway Fund to the Health and Human Services Commission, in accordance with statutory requirements.
- (j) This reflects the amounts transferred from the Texas Mobility Fund to the State Highway Fund to speed up the completion of various transportation projects.
- (k) This reflects amounts transferred from the State Highway Fund to the Turnpike Authority Project Disbursing Account.
- (l) This reflects amounts provided from the State Highway Fund to the Texas Education Agency, in accordance with statutory requirements.
- (m) This reflects amounts provided from the State Highway Fund to the Texas Transportation Institute, in accordance with statutory requirements.
- (n) 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 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. Federal government and Texas public school sales are exempt.

The Texas Comptroller of Public Accounts retains 1 percent of gross receipts for administration and

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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 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%

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

**NOTE 2 – CAPITAL ASSETS**

A summary of changes in Capital Assets for the year ended August 31, 2007 is presented below:

	PRIMARY GOVERNMENT							Balance 8/31/2007
	Balance 9/1/2006	Adjustments	Reclassifications			Additions	Deletions	
			Completed CIP	Inc-Int' agy Transfers	Dec Int' agy Transfers			
<b>Governmental Activities:</b>								
<b>Non-depreciable Assets</b>								
Land and Land Improvements	\$ 6,411,195,646					\$ 500,464,554	\$ (2,346,376)	\$ 6,909,313,824
Infrastructure	38,815,948,158	\$ (18,692,538)	\$ 2,559,577,972					41,356,833,592
Construction in Progress	3,825,681,765	(2,520,611)	(2,982,475,194)			3,597,632,700		4,438,318,660
Total non-depreciable assets:	49,052,825,569	(21,213,149)	(422,897,222)			4,098,097,254	(2,346,376)	52,704,466,076
<b>Depreciable Assets:</b>								
Buildings and Building Improvements	256,731,814	528,928	3,110,697				(525,785)	259,845,644
Infrastructure	15,539,719,569	18,692,538	419,786,535				(26,528,519)	15,951,670,123
Furniture and Equipment	158,335,010	(1,207,249)		195,195	(8,416)	15,026,434	(7,621,369)	164,719,605
Vehicles, Boats, & Aircraft	623,624,928	65,368			(306,839)	49,830,223	(35,864,351)	637,349,329
Other Capital Assets	8,924,181							8,924,181
Total depreciable assets at historical cost:	16,587,335,502	18,079,585	422,897,222	195,195	(315,255)	64,856,657	(70,540,024)	17,022,508,882
Less accumulated depreciation for:								
Buildings and Building Improvements	(136,547,114)					(7,112,389)	499,495	(143,160,008)
Infrastructure	(8,491,265,723)	(669,177)				(504,765,615)	24,365,721	(8,972,334,794)
Furniture and Equipment	(102,176,785)	12,616		(26,119)	5,929	(10,057,747)	6,877,945	(105,364,161)
Vehicles, Boats, & Aircraft	(342,867,873)	(26,468)			271,096	(30,162,083)	31,641,268	(341,144,080)
Other Capital Assets	(1,952,606)					(404,508)		(2,357,114)
Total accumulated depreciation:	(9,074,810,101)	(683,029)	-	(26,119)	277,025	(552,502,342)	63,384,429	(9,564,360,137)
Depreciable assets, net	7,512,525,401	17,396,556	422,897,222	169,076	(38,230)	(487,645,685)	(7,155,595)	7,458,148,745
Governmental activities capital assets, net:	\$ 56,565,350,970	\$ (3,816,593)	\$ -	\$ 169,076	\$ (38,230)	\$ 3,610,451,569	\$ (9,501,971)	\$ 60,162,614,821

	PRIMARY GOVERNMENT							Balance 8/31/2007
	Balance 9/1/2006	Adjustments	Reclassifications			Additions	Deletions	
			Completed CIP	Inc-Int' agy Transfers	Dec Int' agy Transfers			
<b>Business-Type Activities:</b>								
<b>Non-depreciable Assets</b>								
Land and Land Improvements	\$ 561,306,282					\$ 49,298,484		\$ 610,604,766
Infrastructure	-		\$ 1,073,996,517					1,073,996,517
Construction in Progress	1,653,103,840		(1,427,816,829)			293,126,696		518,413,907
Total non-depreciable assets:	2,214,410,122	-	(353,820,112)			342,425,180	-	2,203,015,190
<b>Depreciable Assets:</b>								
Buildings and Building Improvements	7,385,377		343,005					7,728,382
Infrastructure	13,863,950		353,477,107					367,341,057
Total depreciable assets at historical cost:	21,249,327	-	353,820,112	-	-	-	-	375,069,439
Less accumulated depreciation for:								
Buildings and Building Improvements	(212,609)					(333,725)		(546,334)
Infrastructure	(277,279)					(7,448,068)		(7,725,347)
Total accumulated depreciation:	(489,888)	-	-	-	-	(7,781,793)	-	(8,271,681)
Depreciable assets, net	20,759,439	-	353,820,112	-	-	(7,781,793)	-	366,797,758
Business-type activities capital assets, net:	\$ 2,235,169,561	\$ -	\$ -	\$ -	\$ -	\$ 334,643,387	\$ -	\$ 2,569,812,948

**NOTE 3 - DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS**

Government Code, Chapter 2256 (Public Funds Investment Act) authorizes the Commission to purchase, sell, and invest its funds and funds under its control in accordance with investment policies approved by the Commission. Government Code, 2256.005 requires the commission to adopt a written investment policy regarding the investment of its funds and finds under its control, including a separate written investment strategy for each of the funds or group of funds. The Department is authorized by statute to make investments following the “prudent person rule.” Authorized investments include obligations of or guaranteed by governmental entities, certificates of deposit and share certificates, repurchase agreements, banker's acceptance, commercial paper, mutual funds, investment pools, guaranteed investment contracts, forward purchase contracts, and securities lending program. Except for the violation of the diversification requirement in the investment policy detailed in the Concentration of Credit Risk, there were no significant violations of legal provisions during the period.

**Deposits of Cash in Bank**

As of August 31, 2007, the carrying amount of deposits was \$263,407,034 as presented below.

<b>Governmental and Business-Type Activities</b>	
Cash in Bank – Carrying Value	\$263,407,034
Cash in Bank per AFR	\$263,407,034
Governmental Funds Current Assets Cash in Bank	\$253,486,017
Proprietary Funds Current Assets Cash in Bank	\$9,921,017
Cash in Bank per AFR	\$263,407,034

These amounts consist of all cash 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, 2007, the total bank balance was as follows.

Governmental and Business-Type Activities	\$263,407,034
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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 Texas Department of Transportation’s deposits are held in the State Treasury or local banks. Deposits of the State of Texas are normally managed by the State Comptroller of Public Accounts (the “Comptroller”) and are protected by \$100,000 of insurance by the Federal Deposit Insurance Corporation (FDIC). 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, 2007, 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. The proprietary fund's bank deposits were collateralized at August 31, 2007.

**Investments**

As of August 31, 2007, the proprietary fund 865 holds all TxDOT investments. The fair value of investments and maturities are presented below:

Governmental and Business-Type Activities	Maturities (in Years)			Fair Value
	Less than 1	1 – 5	More than 5	
U.S. Government Agency Obligations	\$ 93,715,414	\$5,977,588		\$ 99,693,002
Repurchase Agreement			\$114,999,378	114,999,378
Fixed Income Money Market and Bond Mutual Fund	451,477,384			451,477,384
Total	\$545,192,798	\$5,977,588	\$114,999,378	\$666,169,764

**Custodial Credit Risk – Investments**

Custodial credit risk for investments is the risk that, in the event of the failure of the 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, 2007, the Commission's investments in U.S. Government Agency obligations and mutual funds 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 with the underlying securities being the property of the JPMorgan Trustee Bank, held in trust for the Commission.

**Credit Risk – Investments**

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The general investment policy of the Commission limits investment agreements or other ongoing investment transactions to those with a final maturity or termination date of longer than six months with any financial institution that initially has a long term rating of less than "AA" by a nationally recognized investment rating firm. 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 by two major rating agencies, therefore the risk of default is considered remote. Citigroup is rated Aa1, AA-, and AA+ by Moody's, Standard &



Poors (“S & P”), and Fitch Ratings respectively. The Bank of New York is rated Aa3, A+ by Moody’s, and S & P Ratings, respectively.

As of August 31, 2007, TxDOT’s investments had the following ratings:

Fund Type	GAAP Fund	Investment Type	Fair Value	Moody’s Rating	S & P Rating	Fitch Rating	% of Portfolio
05	0865	U.S. Government Agency Obligations	\$ 99,693,002	Aaa	AAA	AAA	14.96%
05	0865	Repurchase Agreement	114,999,378	Aa1	AA-	N/R	17.26%
05	0865	Fixed Income Money Market and Bond Mutual Fund	451,477,384	Aaa	AAA	N/R	67.78%
		Total	\$666,169,764				

**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. More than 5 percent of the department’s investments are in the Federal National Mortgage Association and in a Salomon Smith Barney Master GIC. These investments are 14.96% and 17.26%, respectively, of the department’s total investments. See the table above. The Money Market and Mutual Funds are not exposed to concentration of credit risk due to the diversification requirements required for mutual funds by the Securities and Exchange Commission. The Commission addresses diversification in the Department’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. In establishing specific diversification strategies, the following general policies and constraints shall apply:

- (a) Portfolio maturities shall be matched versus liabilities to avoid undue market risk.
- (b) Investments selected shall provide for stability of income and liquidity as long as there is preservation and safety of principal.
- (c) Disbursement dates shall be covered through maturing investments and cash equivalent instruments such as money market mutual funds designated under the Public Funds Investment Act and the Investment Policy as an eligible investment.
- (d) No investment shall have maturity in excess of the shorter of the maximum maturity permitted by the Bond Documents or limits specified by Type of Funds in the applicable Investment Strategy Statement.
- (e) If rating restrictions on Securities are breached, prudent action must be taken, consistent with the Investment Policy and the Public Funds Investment Act, to rectify the situation.

**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 is 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 has been 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 have been staggered and in the event the sale of security is 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.

**Derivatives**

As of August 31, 2007, the department had not entered into any investment derivative transactions.

**NOTE 4 - SHORT TERM DEBT**

**Changes in Short-Term Liabilities**

During the year ended August 31, 2007, the department utilized a Short-Term Borrowing Program using Commercial Paper. The Commercial Paper proceeds are being used to cover funding shortfalls for capital expenditures.

Governmental Activities	Balance 09-01-06	Additions	Deletions	Balance 08-31-07
Commercial Paper	\$88,850,000	\$170,000,000	\$100,850,000	\$158,000,000
Total Governmental Activities	\$88,850,000	\$170,000,000	\$100,850,000	\$158,000,000

**NOTE 5 - SUMMARY OF LONG TERM LIABILITIES**

**Changes in Long-Term Liabilities**

As detailed on the following page, the following changes occurred in liabilities during the year ended August 31, 2007:

Governmental Activities	Balance 09-01-06	Additions	Reductions	Balance 08-31-07	Amounts Due Within One Year
Compensable Leave	\$ 65,300,144	\$ 95,420,539	\$ 90,885,962	\$ 69,834,721	\$ 56,702,898
General Obligation Bonds	1,725,515,000	2,196,605,000	35,370,000	3,886,750,000	30,900,000
Revenue Bonds	600,000,000	952,550,000	20,810,000	1,531,740,000	50,670,000
<b>Total Governmental Activities</b>	<b>\$2,390,815,144</b>	<b>\$3,244,575,539</b>	<b>\$147,065,962</b>	<b>\$5,488,324,721</b>	<b>\$138,272,898</b>

Business-Type Activities	Balance 09-01-06	Amortization	Interest on CABs	Additions	Reductions	Balance 08-31-07	Principal Due Within One Year
Bond Anticipation Notes	\$ 922,683,259	\$(11,341,629)			\$124,930,000	\$ 786,411,630	\$775,070,000
TIFIA Note Payable	0			\$124,930,000		124,930,000	\$0
Revenue Bonds Payable	1,402,338,648	286,375	\$31,983,547			1,434,608,570	\$0
<b>Total Business-Type Activities</b>	<b>\$2,325,021,907</b>	<b>\$(11,055,254)</b>	<b>\$31,983,547</b>	<b>\$124,930,000</b>	<b>\$124,930,000</b>	<b>\$2,345,950,200</b>	<b>\$775,070,000</b>

**Notes and Loans Payable**

The department issued \$900,000,000 of Bond Anticipation Notes (BANS) on August 29, 2002 for the purpose of paying a portion of the cost of planning, designing, engineering, developing and constructing the initial phase of the Central Texas Turnpike System located in the greater City of Austin, Texas metropolitan area in Travis and Williamson Counties, Texas. The proceeds of the Series 2002 Second Tier BANS will be used, together with certain other funds to (i) finance a portion of the costs of planning, designing, engineering, developing and constructing the 2002 CTPP Project (ii) pay the capitalized interest with respect to the Series 2002 Second Tier BANS to their respective maturities and (iii) pay certain issuance costs of the Series 2002 Second Tier BANS. The Second Tier BANS are also payable from the proceeds of any bonds, notes or obligations issued to retire the Series 2002 Second Tier BANS. Interest began accruing on the Series 2002 Second Tier BANS on August 15, 2002, is payable on December 1 and June 1 of each year, from December 1, 2002, until maturity, and is calculated on the basis of a 360-day year of twelve 30-day months. See Note 13 for the related Bonds Payable.

The United States Department of Transportation ("USDOT") has 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 under the Secured Loan Agreement. The Secured Loan Agreement was entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act of 1998, 23 United States Code, Section 181, et. Seg. As of August 31, 2007, the Department has drawn \$124,930,000 under the Secured Loan Agreement evidenced by the 2002 TIFIA Bond. The System anticipates that the remainder of the loan will be drawn in 2008 to retire the maturing BANS. Funds under the Secured Loan Agreement are transferred from the United States Department of Treasury upon presentation by the Commission of a request for disbursement in accordance with the provisions of the Secured Loan Agreement.

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 any funds or accounts established under the Indenture established 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 becomes a First Tier Obligation.

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

	BANS		TIFIA*		TOTAL
	Principal	Interest	Principal	Interest	
2008	\$775,070,000	\$38,399,081	\$ 0	\$ 0	\$ 813,469,081
2009	0	0	0	0	0
2010	0	0	0	18,836,749	18,836,749
2011	0	0	0	30,671,121	30,671,121
2012	0	0	0	32,310,794	32,310,794
2013-2017	0	0	0	197,625,169	197,625,169
2018-2022	0	0	0	272,229,659	272,229,659
2023-2027	0	0	28,767,155	338,968,123	367,735,278
2028-2032	0	0	155,720,092	326,025,476	481,745,568
2033-2037	0	0	324,738,825	266,981,116	591,719,941
2038-2042	0	0	754,726,875	139,179,050	893,905,925
<b>Total</b>	<b>\$775,070,000</b>	<b>\$38,399,081</b>	<b>\$1,263,952,947</b>	<b>\$1,622,827,257</b>	<b>\$3,700,249,285</b>

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

\* Debt service assuming the remainder of the loan is drawn in FY 2008 to retire the maturing BANS.

### Claims and Judgements

The department's involvement in claims and judgements is discussed in detail in Note 9. Management's opinion is that the probable outcome of claims and judgements 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 2006 fiscal year to the next was 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.

### NOTE 6 - 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 7 - 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
2008	\$3,657,863	\$ 4,269,499	\$ 7,927,362
2009	1,600,829	3,952,017	5,552,846
2010	1,168,475	3,805,835	4,974,310
2011	418,137	3,683,971	4,102,108
2012	58,135	2,760,120	2,818,255
2013-2017	0	1,534,016	1,534,016
2018-2022	0	0	0
<b>TOTAL</b>	<b>\$6,903,439</b>	<b>\$20,005,458</b>	<b>\$26,908,897</b>

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.

<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY2012</u>	<u>FY 2013-2017</u>
\$2,878,848	\$2,916,366	\$2,916,366	\$2,916,366	\$2,634,841	\$1,534,016

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	\$7,729,811

**NOTE 8 - INTERFUND BALANCES / ACTIVITIES**

The department has numerous transactions between funds and agencies. Individual interfund balances at August 31, 2007 were as follows:

Due From/To Other Agencies:

GENERAL REVENUE	\$	DUE FROM OTHER AGENCIES	\$	DUE TO OTHER AGENCIES	SOURCE
Appd Fund 0900, D23 Fund 0090: (Agency 902, Appd Fund 0001)				50,963	N/A
Appd Fund 5015, D23 Fund 5015: (Agency 506, Appd Fund 5015)				5,734	N/A
(Agency 711, Appd Fund 0001)				87,990	N/A
(Agency 713, Appd Fund 0001)				1,188	N/A
(Agency 714, Appd Fund 5015)				724	N/A
(Agency 715, Appd Fund 0001)				33,015	N/A
(Agency 717, Appd Fund 0001)				11,239	N/A
(Agency 721, Appd Fund 5015)				109,677	N/A
(Agency 724, Appd Fund 0001)				5,099	N/A
(Agency 730, Appd Fund 5015)				2,836	N/A
(Agency 731, Appd Fund 5015)				1,078	N/A
(Agency 732, Appd Fund 0001)				2,158	N/A
(Agency 733, Appd Fund 0001)				96,562	N/A
(Agency 734, Appd Fund 5015)				660	N/A
(Agency 735, Appd Fund 5015)				418	N/A
(Agency 738, Appd Fund 5015)				3,304	N/A
(Agency 743, Appd Fund 5015)				1,650	N/A
(Agency 747, Appd Fund 5015)				728	N/A
(Agency 751, Appd Fund 0001)				5,527	N/A
(Agency 752, Appd Fund 5015)				9,653	N/A
(Agency 753, Appd Fund 5015)				10,176	N/A
(Agency 754, Appd Fund 5015)				9,892	N/A
(Agency 755, Appd Fund 5015)				3,828	N/A
(Agency 756, Appd Fund 5015)				3,876	N/A
(Agency 757, Appd Fund 0001)				8,116	N/A
(Agency 759, Appd Fund 5015)				5,286	N/A
(Agency 760, Appd Fund 0001)				4,180	N/A
(Agency 765, Appd Fund 5015)				716	N/A
(Agency 781, Appd Fund 5015)				87,516	N/A
(Agency 783, Appd Fund 0001)				66	N/A
(Agency 784, Appd Fund 5015)				5,297	N/A
 SPECIAL REVENUE					
Appd Fund 0006, D23 Fund 0006: (Agency 241, Appd Fund 0006)				1,575,547	Transfer
(Agency 302, Appd Fund 0006)				1,022,228	Transfer



	DUE FROM OTHER AGENCIES	DUE TO OTHER AGENCIES	SOURCE
	\$	\$	
(Agency 360, Appd Fund 0006)		46,229	Transfer
(Agency 405, Appd Fund 0006)		40,784,772	Transfer
(Agency 727, Appd Fund 0001)		773,884	Transfer
(Agency 902, Appd Fund 0001)	190,343,774		Transfer
<b>Federal Pass-Throughs</b>			
(Agency 405, Appd Fund 0006)		500,512	Federal P-T
(Agency 458, Appd Fund 0001)		49,379	Federal P-T
(Agency 555, Appd Fund 9999)		41,966	Federal P-T
(Agency 715, Appd Fund 9999)		33,948	Federal P-T
(Agency 716, Appd Fund 9999)		195,638	Federal P-T
(Agency 727, Appd Fund 9999)		3,045,962	Federal P-T
(Agency 732, Appd Fund 9999)		120,691	Federal P-T
(Agency 733, Appd Fund 9999)		215,493	Federal P-T
(Agency 754, Appd Fund 9999)		14,667	Federal P-T
(Agency 757, Appd Fund 9999)		18,269	Federal P-T
(Agency 760, Appd Fund 9999)		21,804	Federal P-T
(Agency 784, Appd Fund 9999)		35,605	Federal P-T
<b>State Pass-Throughs</b>			
(Agency 320, Appd Fund 0001)		276,042	State P-T
(Agency 405, Appd Fund 0006)		32,360	State P-T
(Agency 696, Appd Fund 0001)		61,960	State P-T
Appd Fund 0365, D23 Fund 0370/0371/0372:			
(Agency 902, Appd Fund 0001)		144,348,568	N/A
<b>CAPITAL PROJECTS</b>			
Appd Fund 7604, D23 Fund 7604:			
(Agency 347, Appd Fund 7604)	1,549,831		Transfer
<b>Total Due From/To Other Agencies (Exh I)</b>	<u>\$ 191,893,605</u>	<u>\$ 193,784,676</u>	

Due From/To Other Funds:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	SOURCE
	\$	\$	
<b>GENERAL REVENUE</b>			
Appd Fund 0900, D23 Fund 0090:			
(Agency 601, Appd Fund 0006)		74,571	N/A



	<u>DUE FROM OTHER</u>	<u>DUE TO OTHER</u>	<u>SOURCE</u>
	<u>FUNDS</u>	<u>FUNDS</u>	
	\$	\$	
<b>SPECIAL REVENUE</b>			
Appd Fund 0006, D23 Fund 0006:			
(Agency 601, Appd Fund 0365)	137,608,202		N/A
(Agency 601, Appd Fund 0865)	1,545,647		N/A
(Agency 601, Appd Fund 0900)	74,571		N/A
Appd Fund 0365, D23 Fund			
0370/0371/0372:			
(Agency 601, Appd Fund 0006)		137,608,202	N/A
<b>ENTERPRISE FUND</b>			
Appd Fund 0865, D23 Fund 0865:			
(Agency 601, Appd Fund 0006)		1,545,647	N/A
<b>Total Due From/To Other Funds</b>			
(Exh I and III)	<u>\$ 139,228,420</u>	<u>\$ 139,228,420</u>	

Operating Transfers In/Out (\*):

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
	\$	\$
Appd Fund 0001, D23 Fund 0001:		
(Agency 902, Appd Fund 0001)	1,364,169	46,117
<b>Total Transfers for D23 Fund 0001</b>	<u>1,364,169</u>	<u>46,117</u>
Appd Fund 0006, D23 Fund 0006:		
(Agency 241, Appd Fund 0006)		1,122,307
(Agency 302, Appd Fund 0006)		5,825,717
(Agency 347, Appd Fund 0507)		348,168
(Agency 347, Appd Fund 0735)		7,615
(Agency 360, Appd Fund 0006)		3,723,947
(Agency 405, Appd Fund 0006)		531,752,539
(Agency 529, Appd Fund 0006)		10,000,000
(Agency 601, Appd Fund 0365)	1,780,133,499	
(Agency 601, Appd Fund 0865)		147,880,001
(Agency 701, Appd Fund 0006)		50,000,000
(Agency 727, Appd Fund 0001)		6,726,131
(Agency 902, Appd Fund 0001)	2,240,787,658	
<b>Total Transfers for D23 Fund 0006</b>	<u>4,020,921,157</u>	<u>757,386,425</u>





	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
	\$	\$
Appd Fund 0365, D23 Fund 0370/0371/0372: (Agency 601, Appd Fund 0006)		1,780,133,499
<b>Total Transfers for D23 Fund 0370/ 0371/0372</b>		<u>1,780,133,499</u>
Appd Fund 0865, D23 Fund 0865: (Agency 601, Appd Fund 0006)	147,880,001	
<b>Total Transfers for D23 Fund 0865</b>	<u>147,880,001</u>	
Appd Fund 7604, D23 Fund 7604: (Agency 347, D23 Fund 7604)	14,849,649	
<b>Total Transfers for D23 Fund 7604</b>	<u>14,849,649</u>	
<b>Total Operating Transfers (Exh. II and IV)</b>	<u>\$ 4,185,014,976</u>	<u>\$ 2,537,566,041</u>

- See Note 1 H (7) for detailed information on Transfers In/Out.

**NOTE 9 - CONTINGENT LIABILITIES**

A. Litigation

<u>Type of Suit</u>	<u>Number of Suits</u>	<u>Amount in Controversy</u>
Contract	17	Amounts claimed range from \$7,590 to \$2,976,088. Total claims with amounts indicated came to approximately \$10,299,573. Three of the 17 indicated only an approximate amount of the claim or did not specify the amount.
Inverse Condemnation	36	Amounts claimed range from \$204,000 to \$370,000. Total claims with amounts indicated came to approximately \$574,000. Thirty-four of the thirty-six indicated only an approximate amount of the claim or did not specify the amount.
Employment Law and Related Lawsuits	16	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	122	Statutory limits of liability on these cases are \$250,000 per person or \$500,000 per accident. Amounts claimed range from \$625 to \$500,000. Total claims, including estimates of liability limits where no amounts were specified, came to approximately \$37,522,306.

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<u>Type of Suit</u>	<u>Number of Suits</u>	<u>Amount in Controversy</u>
Workers' Comp	4	Amounts of claims were not specified.
Declaratory Judgment	4	Monetary amounts have not been specified in three of the four cases. Total claimed with amounts indicated is \$30,000,000.

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, 2007. 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, 2007 the contingent liability as a result of claims by contractors was \$ 13,521,093.

**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**

As of August 31, 2007, the department had not entered into any investment derivative transactions.

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**NOTE 10 - 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, 2009, unless continued in existence by the 81st Legislature as provided by the Act. If abolished, the department may continue until September 1, 2010 to close out its operations.

**NOTE 11 - RISK FINANCING & RELATED INSURANCE**

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 78].

**NOTE 12 - SEGMENT INFORMATION**

TxDOT has 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.

**NOTE 13 - 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 May 2005, the Texas Bond Review Board approved \$4,000,000,000 of bonds through one or more issuances from the Texas Mobility Fund.

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 AA+, Aa1, 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 AA+/F1+, Aa1/VMIG 1, and AA/A-1+, by Fitch Ratings, Moody's, and S & P, respectively
3. Series 2006 Fixed Rate Bonds
    - Issued 06-08-06
    - \$750,000,000
    - Rated AA+, Aa1, 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 AA+/AAA enhanced, Aa1/Aaa enhanced, and AA/AAA enhanced, by Fitch Ratings, Moody's, and S & P, respectively
  5. Series 2006-B Variable Rate Bonds
    - Issued 12-13-06
    - \$150,000,000
    - Rated AA+/F1+ and Aa1/VMIG 1 by Fitch Ratings and Moody's, respectively
  6. Series 2007 Fixed Rate Bonds
    - Issued 06-21-07
    - \$1,006,330,000
    - Rated AA+, Aa1, and 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 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 (ii) issuing the Bonds.

**Source 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 Fund, and may pledge the full faith and credit of the State to payments due on Parity Debt if revenues in the 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 interest 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 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. Funds deposited to the Mobility Fund through 8/31/2006 include revenues from Court Fines and Driver License Point Surcharge Fees. On September 1, 2005, the initial revenue sources of the Fund were redirected to the State of Texas General Revenue Fund. New sources of revenue for the Fund are being phased into the Fund. In FY 2006 the sources of revenue were the United We Stand License Plate Fees, Investment Income, and Motor Vehicle Inspection Fees. Driver Record Information Fees were added in fiscal year 2007, Driver License

Fees in fiscal year 2008, and Certificate of Title Fees in fiscal year 2009.

With respect to the Series 2005-B Bonds and the Series 2006-B Bonds, liquidity facilities have been executed with DEPFA 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. authorized 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. 1<sup>st</sup> Tier Revenue Bonds, Series 2006 Fixed Rate
  - To fund State highway improvement projects
  - Issued 05-03-06
  - \$600,000,000
  - Rated Aa1 and AAA by Moody's and S & P, respectively
2. 1<sup>st</sup> Tier Revenue Bonds, Series 2006-A Fixed Rate
  - To fund State highway improvement projects
  - Issued 11-21-06
  - \$852,550,000
  - Rated Aa1 and AAA by Moody's and S & P, respectively
3. 1<sup>st</sup> Tier Revenue Bonds, Series 2006-B Variable Rate
  - To fund State highway improvement projects
  - Issued 11-08-06
  - \$100,000,000
  - Rated Aa1/VMIG1 and AAA/A-1+ by Moody's and S & P, respectively

**Purpose of the bonds:** (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) amount 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 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 (CTTP) 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 will be used, together with certain other funds to (i) finance a portion of the costs of planning, designing, engineering, developing and constructing the 2002 CTTP Project (ii) pay a portion of capitalized interest during construction and for the first 11 months following the anticipated completion date of the 2002 CTTP 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. For further information on the BANS, please refer to Note 5.

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

- 1. 1<sup>st</sup> 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 has been issued
  - Rated BBB+/AAA enhanced, Baa1/Aaa enhanced, and BBB+/AAA by Fitch Ratings, Moody's and S & P, respectively
- 2. 1<sup>st</sup> Tier Revenue Bonds, Series 2002B, Variable Rate**
  - To study, design, construct, operate, expand, enlarge, and extend the Central Texas Turnpike Project
  - Issued 08-29-02
  - \$150,000,000 has been issued

- Rated BBB+/AAA enhanced/F1+, Baa1/Aaa enhanced, BBB+/AAA enhanced/A-1 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 (provided, however, that the principal portion of any Series 2002-B Bonds while they are Liquidity Provider Bonds shall not be secured by, or entitled to any benefit of, such 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.

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 Series 2002 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 Series 2002 Obligations. Neither the Commission nor the department has any taxing power. The bond indenture does not create a mortgage on the system.

In addition to the First Tier Revenue Bonds, Series 2002A, the First Tier Revenue Bonds, Series 2002B, and the BANS, the United States Department of Transportation (“USDOT”) has agreed to lend to the Commission up to \$916,760,000 to pay or reimburse a portion of the costs of the 2002 Project under the Secured Loan Agreement. The Secured Loan Agreement was entered into pursuant to the provisions of the Transportation Infrastructure Finance and Innovation Act of 1998, 23 United States Code, Section 181, et. Seg. As of August 31, 2007, the Department has drawn \$124,930,000 under the Secured Loan Agreement evidenced by the 2002 TIFIA Bond. The System anticipates that the remainder of the loan will be drawn in 2008 to retire the maturing BANS. Funds under the Secured Loan Agreement are transferred from the United States Department of Treasury upon presentation by the Commission of a request for disbursement in accordance with the provisions of the Secured Loan Agreement. On April 30, 2007, the Commission requested a disbursement under the Secured Loan Agreement in the amount of \$124,930,000 and funds were transferred on May 14, 2007. For further information on the TIFIA bond, please refer to Note 5.

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 any funds or accounts established under the Indenture established for the benefit of the First Tier Obligations, Second Tier Obligations, or other specific

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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 becomes a First Tier Obligation.

**Derivatives:**

**Pay-Variable, Receive-Variable Interest Rate Swaps**

**A. Objective of the Swaps**

The Texas Transportation Commission (Commission) is currently 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. The CMS basis swaps exchange the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (formerly known as Bond Market Association (BMA) Municipal Swap Index) for the London Interbank Offered Rate (LIBOR) Swap Index. The purpose of the CMS basis swaps is to achieve reduced overall borrowing costs through the assumption of yield curve risk (the difference between short-term and long-term rates) and tax risk (the spread between the SIFMA/BMA tax-exempt rate and the LIBOR taxable rate).

**B. Significant Terms**

The \$400 million forward starting CMS basis swap was competitively bid on October 5, 2006 and agreements were executed with the following counterparties on October 6, 2006: JPMorgan Chase Bank, N.A., Goldman Sachs Mitsui Marine Derivative Products, L.P., and Morgan Stanley Capital Services Inc. The notional amount of the JPMorgan Chase CMS basis swap is \$200 million and the notional amounts of the Goldman Sachs and Morgan Stanley CMS basis swaps are each \$100 million. As of August 31, 2007 there was \$1,040,080,000 of Series 2006-A Bonds outstanding and the notional amount of the CMS basis swaps was \$400 million. Effective September 1, 2007, the Commission will pay to each swap counterparty an amount equal to the SIFMA/BMA Municipal Swap Index on the notional amount of the swap agreements. In return, each swap counterparty will pay the Commission an amount equal to 69.42 percent of the USD-ISDA-Swap Rate assuming a 10-year Designated Maturity (which is a reported market rate at which 10-year interest rate swaps for a one month U.S. dollar LIBOR rate are entered into from time to time) on the notional amounts of each swap agreement. Regularly scheduled amounts owed by the Commission and the swap counterparties will be due under the basis swap agreements on a net basis on the first business day of each month following the effective date of the basis swap agreements, commencing October 2007 and ending on September 1, 2027. Following certain events, such as a credit rating downgrade of a counterparty, collateral posts may be required according to the credit support annex. In addition, the Commission has the option to terminate any swap transaction, in whole or in part, at any time. In the event that the Commission elects to terminate one or more swap transactions, amounts due to and from the counterparty/counterparties will be calculated by an external calculation agent.



**TERMS OF THE \$400 MILLION CMS BASIS SWAP**

<i>Counterparty</i>	<i>Notional Amount</i>	<i>Variable Rate Paid</i>	<i>Variable Rate Received</i>	<i>Fair Value</i>	<i>Credit Ratings</i>
				<i>as of 8/31/07</i>	<i>F/M/S&amp;P</i>
JPMorgan Chase	\$200 million	SIFMA/BMA	69.42% of 10-yr LIBOR	\$ 831,730	AA-/Aaa/AA
Goldman Sachs	\$100 million	SIFMA/BMA	69.42% of 10-yr LIBOR	415,865	AA-/Aa3/AAA
Morgan Stanley	\$100 million	SIFMA/BMA	69.42% of 10-yr LIBOR	415,865	AA-/Aa3/AA-
	<u>\$400 million</u>			<u>\$1,663,460</u>	

**C. Fair Value**

As of August 31, 2007, the fair market values of the CMS basis swaps with JPMorgan Chase, Goldman Sachs, and Morgan Stanley were \$831,730, \$415,865, and \$415,865, respectively for a total market value of \$1,663,460. The valuations are intended to serve as theoretical estimates of the market value of the swaps as of the date indicated.

**D. Risks Involved**

- a. 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. 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. Lastly, CMS basis swap agreements contain provisions for collateral posts by counterparties in the event of a credit rating downgrade. 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.
- b. Interest Rate Risk: Yield curve risk, a form of interest rate risk, exists when short-term and long-term interest rates change causing a change in the shape of the yield curve. Yield curve risk has been assumed in

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the swap transactions, with the anticipated benefit dependent upon the yield curve's return to a slope more closely related to historical norms. Long-term exposure to yield curve risk is mitigated through the Commission's unilateral ability to terminate the swaps at any time should the yield curve not return to normal as projected.

- c. Basis Risk: Basis risk is the risk that occurs when derivative transactions incorporate variable interest rates based on different indexes, such as taxable versus tax-exempt indexes. Tax risk, a form of basis risk, is the risk that tax law changes would cause the SIFMA/BMA tax-exempt index to rise higher than the established percentage of the LIBOR taxable index. This change could cause the Commission's net cash outflows to be greater than the net cash inflows, thus reducing the cumulative interest rate savings intended by the swap transaction. To mitigate tax risk, the Commission executes swap agreements where the percentage of LIBOR closely matches historical trading relationships creating a net inflow of payments to the Commission, thus reducing interest cost. The Commission also mitigates tax risk by limiting the portion of the total portfolio that can be exposed to tax risk at a given time.
- d. Termination Risk: Termination risk exists if
- i. The Commission opts to terminate the swap prior to maturity;
  - ii. The credit rating assigned to the long-term, unenhanced senior lien Texas Mobility Fund Revenue Financing Program Obligations of the Commission is withdrawn, suspended or falls below Baa2/BBB or the Commission fails to have any rated long-term, unenhanced senior lien Texas Mobility Fund Revenue Financing Program Obligations and the Commission is unable or not required to post collateral;
  - iii. The credit rating assigned to the long-term, unsecured, unenhanced, unsubordinated debt of a counterparty is withdrawn, suspended or falls below Baa2/BBB or a counterparty fails to have any rated long-term, unsecured, unenhanced, unsubordinated debt and the counterparty is unable to post collateral; or
  - iv. If the Commission or counterparty fails to perform under the terms of the respective swap agreements.

The Commission mitigates termination risk by maintaining a strong financial standing for its financing programs thus making involuntary termination unlikely. The Commission targets maintenance of sufficient reserves to cover all or part of a termination payment due to a counterparty if the swap is terminated prior to maturity and the swap has a negative fair value. Risk of involuntary termination due to counterparty downgrade is mitigated by a collateral posting requirement, and the use of a diverse group of highly-rated counterparties. Risk of involuntary termination due to a downgrade of the State of Texas below Baa2/BBB is highly unlikely given the General Obligation pledge and Aa1/AA/AA+ ratings supporting the obligations of the Texas Mobility Fund. In addition, the Commission also has the sole option to terminate and cancel any swap transaction, at any time, in whole or in part.

- e. Rollover Risk: Rollover risk is the risk that the duration of the swap transaction does not match the final maturity of the underlying debt issue. This presents risk because once the swap terminates, the Commission will no longer benefit from the anticipated reduced interest cost provided by the swap. The CMS basis

swaps present rollover risk because the swaps will terminate on September 1, 2027 and the final maturity of the associated debt series is April 1, 2035. The Commission accepted rollover risk because extending the term of the swap agreements to match the maturity of the bonds would have continued counterparty credit risk for only marginal projected benefit.

- f. Market-access Risk: Market-access risk is the risk that an entity will not be able to enter credit markets or that credit will become more costly. The CMS basis swap does not present market-access risk because the transaction does not require access to the credit market.

**E. Associated Debt**

The CMS basis swaps are associated with the Commission’s State of Texas General Obligation Mobility Fund Series 2006-A fixed-rate bonds. The debt service schedule for the bonds is shown in the table below. The effective date of the exchange of payments for the CMS basis swap is September 1, 2007; thus no cash flows had commenced nor were due, hence none occurred. Projected cash flows according to assumptions are listed in the table below.

<b>Debt Service Schedule</b>				
<b>State of Texas General Obligation Mobility Fund Series 2006-A Fixed-Rate Bonds</b>			<b>Constant Maturity Swaps</b>	
<b>FY</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>PAYMENTS*</b>	<b>NET DEBT SERVICE</b>
2008		\$ 49,794,500	\$ (4,682,333)	\$ 45,112,167
2009	\$ 375,000	49,794,500	(5,108,000)	45,061,500
2010	1,325,000	49,779,500	(5,108,000)	45,996,500
2011	2,275,000	49,726,500	(5,108,000)	46,893,500
2012	3,215,000	49,635,500	(5,108,000)	47,742,500
2013-2017	31,195,000	245,489,300	(25,540,000)	251,144,300
2018-2022	102,985,000	232,640,250	(25,540,000)	310,085,250
2023-2027	223,925,000	195,721,950	(25,540,000)	394,106,950
2028-2032	381,200,000	127,826,100	(425,667)	508,600,433
2033-2037	293,585,000	26,330,250		319,915,250
	<b>\$1,040,080,000</b>	<b>\$1,076,738,350</b>	<b>\$(102,160,000)</b>	<b>\$2,014,658,350</b>

\*Swap payments projected using the historical average annual spread differential of 1.277%, between BMA and 69.42% of 10-Year USD-ISDA-Swap Rate since 1985.

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**NOTE 14 - SUBSEQUENT EVENTS**

On October 25, 2007, the Commission issued \$1,241,845,000 in State Highway Fund First Tier Revenue Bonds Series 2007 for the purpose of (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. The interest rate on the Series 2007 bonds range from 4.814 to 5.00 percent and the final maturity date is April 1, 2027.

**NOTE 15 - RELATED PARTIES**

The department currently has no related parties to report.

**NOTE 16 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY**

The department is not aware of any material violations of finance-related legal or contractual provisions.

**NOTE 17 - THE FINANCIAL REPORTING ENTITY**

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, the one transportation corporation is shown as a component unit of the department because of the significance of its financial relationship with the department. Although the corporation is a separate legal entity, the department exercises sufficient authority over its assets, management and operations, to require its inclusion in the accompanying financial statements. The financial activities of the corporation are shown as local fund 999 and presented in a blended format on the department's financial statements [See Note 1-C(4)]. Complete financial information 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.

**NOTE 18 - RESTATEMENT OF FUND BALANCES AND NET ASSETS**

In the Capital Asset Adjustment Fund Type, the \$3,816,593 restatement of fixed assets is caused by corrections to property in fiscal year 2007. 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.

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**NOTE 19 - 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 20 - 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 21 - DONOR-RESTRICTED ENDOWMENTS**

The department did not have any donor-restricted endowments.

**NOTE 22 - 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. Through FY 2006, the Texas Department of Transportation (TxDOT) reported 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. However, in FY 2007, the Texas Department of Transportation (TxDOT) began revising the process by which the Department assesses the condition levels of the state's Interstate and Non-Interstate highways. The new process, known as the Texas Condition Assessment Program (TxCAP), will combine data from the Texas Maintenance Assessment Program (TxMAP), TxDOT's Pavement Management Information System (PMIS), and the Texas Traffic Assessment Program (TxTAP). As a result, TxCAP will provide a more comprehensive assessment of the Interstate and Non-Interstate highway systems.

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Because TxDOT is currently revising the process by which the department conducts condition assessments, the results for FY 2007 are not available for this report. However, the condition assessment results for FY 2006 were 83.4% for the Interstate system and 78.0% for the Non-Interstate system.

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 2007, TxDOT computed estimates of \$438 million for the Interstate system and \$1.7 billion for the Non-Interstate system. Actual expenditures were \$472 million for the Interstate system and \$1.88 billion for the Non-Interstate system.

***NOTE 23 - 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 24 - SPECIAL OR EXTRAORDINARY ITEMS***

The department did not have any special or extraordinary items in fiscal year 2007.

***NOTE 25 - DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES***

Federal Receivable as of August 31, 2007 was \$246,912,363. Of this amount, \$235,774,218 is current and \$11,138,145 is non-current. Even though the category of Contracts Payable is shown on our 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, 2007, Retainage Contracts Payable was \$302,921,079 in the State Highway Fund and was \$13,248,565 in the Turnpike Authority Project Disbursing Account. Also, see Note 1F(8).

***NOTE 26 - TERMINATION BENEFITS***

For the fiscal year ended August 31, 2007, the department did not have any termination benefits related payments.

***NOTE 27 - PASS THROUGH TOLLS***

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. 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 to TxDOT. These agreements are not recognized as a liability, since none of the local entities have actually completed the construction of a project at this date; however, the maximum amounts of future obligations for the executed agreements as of August 31, 2007 are listed on the following page.



FISCAL YEAR							
2008	2009	2010	2011	2012	2013-2017	2018-2022	TOTAL
\$ 0	\$ 27,480,719	\$ 77,175,539	\$ 129,037,539	\$ 133,037,539	\$ 634,671,132	\$ 243,979,649	\$ 1,245,382,117

## 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

In FY 2007, the Texas Department of Transportation (TxDOT) began revising the process by which the Department assesses the condition levels of the state’s Interstate and Non-Interstate highways. The new process, known as the Texas Condition Assessment Program (TxCAP), will combine data from the Texas Maintenance Assessment Program (TxMAP), TxDOT’s Pavement Management Information System (PMIS), and the Texas Traffic Assessment Program (TxTAP). As a result, TxCAP will provide a more comprehensive assessment of the Interstate and Non-Interstate highway systems. Because of this ongoing process, the condition levels for FY 2007 are not available for this report.

In FY 2006 and prior years, TxDOT reported yearly condition levels based only on the results of assessments performed under 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 and 75% for the Non-Interstate system based on TxMAP assessments.

With the exception as noted in the prior section, the results of the condition assessments for the current year and four prior years are as follows:

Year	Interstate Condition (Minimum 80%)	Non-Interstate Condition (Minimum 75%)
2007	N/A	N/A
2006	83.4%	78.0%
2005	82.1%	77.9%
2004	82.3%	79.1%
2003	81.3%	78.5%



## 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	2007	2006	2005	2004	2003
Estimate	\$438,460,363	\$469,817,714	\$ 314,000,000	\$ 400,000,000	\$ 400,000,000
Actual	\$471,924,721	\$434,087,757	\$ 427,107,013	\$ 383,933,309	\$ 330,766,442

Other Highways	2007	2006	2005	2004	2003
Estimate	\$1,702,612,423	\$1,608,015,154	\$ 1,590,416,683	\$ 1,450,000,000	\$ 1,450,000,000
Actual	\$1,881,284,935	\$1,750,437,888	\$ 1,604,781,208	\$ 1,378,862,635	\$ 1,483,209,510

### 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, 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, 2007**

	GENERAL FUND ACCOUNT (0001)* U/F (0001)	TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071)* U/F (0071)
	\$ _____	\$ _____
<b>ASSETS:</b>		
Current Assets:		
Cash and Cash Equivalents:		
Cash in State Treasury		577,315
Legislative Appropriations	575,917	
Loans and Contracts [Note 1 F(4)]	53,128	
Total Current Assets	<u>629,045</u>	<u>577,315</u>
Non-Current Assets:		
Loans and Contracts [Note 1 F(4)]	449,569	
Total Non-Current Assets	<u>449,569</u>	<u>0</u>
<b>TOTAL ASSETS:</b>	<b><u>1,078,614</u></b>	<b><u>577,315</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Current Liabilities:		
Payables:		
Accounts Payable	29,509	47,037
Payroll Payable	72,984	33,653
Due to Other Funds (Note 8)		
Due to Other Agencies (Note 8)		
Total Current Liabilities	<u>102,493</u>	<u>80,690</u>
<b>TOTAL LIABILITIES:</b>	<b><u>102,493</u></b>	<b><u>80,690</u></b>
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>		
FUND BALANCES (DEFICITS):		
Reserved For:		
Loans & Contracts	502,697	
Unreserved:		
Undesignated:		
Unencumbered Legislative Appropriations		
Future Operations	473,424	
Consolidated Funds		496,625
<b>TOTAL FUND BALANCES</b>	<b><u>976,121</u></b>	<b><u>496,625</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ <u>1,078,614</u></b>	<b>\$ <u>577,315</u></b>

\* 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.

SUSPENSE FUND ACCOUNT (0900)* U/F (0090)	TEXAS COLLEGIATE LICENSE PLATE PROGRAM ACCOUNT (5015)* U/F (5015)	TOTAL
\$ _____	\$ _____	\$ _____
125,534	518,189	1,221,038
		575,917
		53,128
<u>125,534</u>	<u>518,189</u>	<u>1,850,083</u>
		449,569
<u>0</u>	<u>0</u>	<u>449,569</u>
<u>125,534</u>	<u>518,189</u>	<u>2,299,652</u>
		76,546
74,571		106,637
50,963	518,189	74,571
<u>125,534</u>	<u>518,189</u>	<u>569,152</u>
		826,906
<u>125,534</u>	<u>518,189</u>	<u>826,906</u>
		502,697
		473,424
		496,625
<u>0</u>	<u>0</u>	<u>1,472,746</u>
<u>\$ 125,534</u>	<u>\$ 518,189</u>	<u>\$ 2,299,652</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, 2007**

	GENERAL FUND ACCOUNT (0001)* U/F (0001)	TEXAS HIGHWAY BEAUTIFICATION ACCOUNT (0071)* U/F (0071)
<b>REVENUES:</b>	\$	\$
Legislative Appropriations:		
Original Appropriations	965,133	
Additional Appropriations	307,471	
Licenses, Fees and Permits [Note 1 H(4)]	302,421	633,758
Sale of Goods & Services	1,739,662	
<b>TOTAL REVENUES</b>	<u>3,314,687</u>	<u>633,758</u>
<b>EXPENDITURES:</b>		
Salaries and Wages	937,664	404,208
Payroll Related Costs	262,159	143,648
Professional Fees and Services		4,514
Travel	60,954	8,735
Materials and Supplies	11,243	356
Communications and Utilities	8,227	2,744
Repairs and Maintenance	185	
Rentals and Leases	2,115	
Intergovernmental Payments	7,353,208	
Other Expenditures	7,535	38,625
<b>TOTAL EXPENDITURES</b>	<u>8,643,290</u>	<u>602,830</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,328,603)</u>	<u>30,928</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers In [Note 1 H(7)]	1,364,169	
Transfers Out [Note 1 H(7)]	(46,117)	
Sale of Fixed Assets	4,152,293	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>5,470,345</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	141,742	30,928
<b>FUND FINANCIAL STATEMENT-FUND BALANCES FUND BALANCES, Sept. 1, 2006</b>	834,379	465,697
<b>FUND BALANCES, Aug. 31, 2007 (Exhibit A-1)</b>	<u>\$ 976,121</u>	<u>\$ 496,625</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.

SUSPENSE FUND ACCOUNT (0900)* U/F (0090)	TEXAS COLLEGIATE LICENSE PLATE PROGRAM ACCOUNT (5015)* U/F (5015)	TOTAL
\$ _____	\$ _____	\$ _____
		965,133
		307,471
		936,179
		1,739,662
<u>0</u>	<u>0</u>	<u>3,948,445</u>
		1,341,872
		405,807
		4,514
		69,689
		11,599
		10,971
		185
		2,115
		7,353,208
		46,160
<u>0</u>	<u>0</u>	<u>9,246,120</u>
<u>0</u>	<u>0</u>	<u>(5,297,675)</u>
		1,364,169
		(46,117)
		4,152,293
<u>0</u>	<u>0</u>	<u>5,470,345</u>
0	0	172,670
0	0	1,300,076
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,472,746</u>



**EXHIBIT B-1**  
**COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS**  
**August 31, 2007**

	STATE HIGHWAY FUND (0006)* U/F (0006 and 014-016, 0513-0514)	STATE INFRA- STRUCTURE BANK (0006)* U/F (0099)
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents:		
Cash on Hand	1,981,791	
Cash in Bank	252,644,640	
Cash in State Treasury	428,786,509	72,400,856
Receivables:		
Federal	235,774,218	
Other Intergovernmental	176,385,957	
Interest and Dividends		10,308,391
Accounts Receivable	16,161,380	
Due from Other Funds (Note 8)	139,228,420	
Due from Other Agencies (Note 8)	190,343,774	
Consumable Inventories	89,573,887	
Loans and Contracts [Note 1 F(4)]		10,702,615
Total Current Assets	<u>1,530,880,576</u>	<u>93,411,862</u>
Non-current Assets:		
Federal Receivable	11,138,145	
Loans and Contracts [Note 1 F(4)]	8,550,416	214,554,153
Other Non-Current Assets		13,842,660
Total Non-Current Assets	<u>19,688,561</u>	<u>228,396,813</u>
<b>TOTAL ASSETS</b>	<u><u>1,550,569,137</u></u>	<u><u>321,808,675</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Current Liabilities:		
Payables:		
Accounts Payable	935,608,289	
Contracts Payable [Note 1 F(8)]	302,921,079	
Payroll Payable	63,342,382	
Interest Payable	29,403,246	
Due to Other Funds (Note 8)		
Due to Other Agencies (Note 8)	48,866,956	
Deferred Revenues	330,133,267	
Short Term Debt (Note 4)	158,000,000	
Total Current Liabilities	<u>1,868,275,219</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>1,868,275,219</u>	<u>0</u>
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>		
FUND BALANCES (DEFICITS):		
Reserved For:		
Encumbrances	151,201,200	
Inventories	89,573,887	
Imprest	164,473	
Loans & Contracts	8,550,416	225,256,768
Unreserved Designated for:		
Highway Construction and Maintenance	(567,196,058)	
State Infrastructure Bank		96,551,907
Undesignated:		
Texas Transportation Corporations		
<b>TOTAL FUND BALANCES</b>	<u>(317,706,082)</u>	<u>321,808,675</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES:</b>	<u><u>\$ 1,550,569,137</u></u>	<u><u>\$ 321,808,675</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 MOBILITY FUND (0365)* U/F (0365-0372)	TEXAS TRANSPORTATION CORPORATIONS (9999)* U/F (0999)	TOTAL
\$ 1,125,545,231	\$ 841,377	1,981,791 253,486,017 1,626,732,596
	1,092,309	235,774,218 176,385,957 10,308,391 17,253,689 139,228,420 190,343,774 89,573,887 10,702,615
<u>1,125,545,231</u>	<u>1,933,686</u>	<u>2,751,771,355</u>
0	0	11,138,145 223,104,569 13,842,660
<u>1,125,545,231</u>	<u>1,933,686</u>	<u>248,085,374</u> <u>2,999,856,729</u>
2,729,523	818,972	939,156,784 302,921,079 63,342,382 92,043,437 137,608,202 193,215,524 330,133,267 158,000,000
62,640,191 137,608,202 144,348,568		2,216,420,675
<u>347,326,484</u>	<u>818,972</u>	<u>2,216,420,675</u>
<u>347,326,484</u>	<u>818,972</u>	<u>2,216,420,675</u>
778,218,747		151,201,200 89,573,887 164,473 233,807,184
	1,114,714	211,022,689 96,551,907
<u>778,218,747</u>	<u>1,114,714</u>	<u>1,114,714</u> <u>783,436,054</u>
\$ <u>1,125,545,231</u>	\$ <u>1,933,686</u>	\$ <u>2,999,856,729</u>

**EXHIBIT B-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN  
FUND BALANCES -SPECIAL REVENUE FUNDS**

For the fiscal year ended August 31, 2007

	STATE HIGHWAY FUND (0006)* U/F (0006 and 014-016, 0513-0514)	STATE INFRA- STRUCTURE BANK (0006)* U/F (0099)
<b>REVENUES:</b>	\$	\$
Taxes	36,826,897	
Federal Revenues	1,941,088,023	
Federal Pass Through Revenues	52,520,146	
Licenses, Fees and Permits [Note 1 H(4)]	1,067,910,734	
Interest & Investment Income	82,948,919	12,885,447
Land Income	4,010,886	
Settlement of Claims	222,506	
Sales of Goods and Services	242,385,443	
Other Revenues	17,420,596	
<b>TOTAL REVENUES</b>	<u>3,445,334,150</u>	<u>12,885,447</u>
<b>EXPENDITURES:</b>		
Salaries and Wages	631,683,100	
Payroll Related Costs	218,626,564	
Professional Fees and Services	526,313,527	
Travel	6,860,450	
Materials and Supplies	272,973,985	
Communications and Utilities	57,275,932	
Repairs and Maintenance	1,435,220,131	
Rentals and Leases	13,303,082	
Printing and Reproduction	10,010,702	
Claims and Judgments	10,945,250	
Federal Pass Through Expenditures	25,235,634	
State Grant Pass Through Expenditures	27,010,311	
Intergovernmental Payments	137,279,930	
Public Assistance Payments	108,859,769	
Other Expenditures	191,927,381	
Principal on State Bonds	20,810,000	
Interest on State Bonds	65,490,391	
Other Financing Fees	884,305	
Capital Outlay	4,162,953,911	
<b>TOTAL EXPENDITURES</b>	<u>7,923,664,355</u>	<u>0</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,478,330,205)</u>	<u>12,885,447</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating Transfers In [Note 1 H (7)]	4,020,921,157	
Operating Transfers Out [Note 1 H (7)]	(757,386,425)	
Bond & Note Issued	952,550,000	
Insurance Recoveries	719,463	
Sale of Capital Assets	4,405,583	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>4,221,209,778</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(257,120,427)</u>	<u>12,885,447</u>
<b>FUND FINANCIAL STATEMENT-FUND BALANCES</b>		
<b>FUND BALANCES, Sept. 1, 2006</b>	(60,585,655)	308,923,228
<b>FUND BALANCES, Aug. 31, 2007 (Exh. B-1)</b>	<u>\$ (317,706,082)</u>	<u>\$ 321,808,675</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 MOBILITY FUND (0365)* U/F (0365-0372)	TEXAS TRANSPORTATION CORPORATIONS (9999)* U/F (0999)	TOTAL
\$	\$	\$
		36,826,897
		1,941,088,023
		52,520,146
140,481,055		1,208,391,789
85,313,879	24,394	181,172,639
		4,010,886
		222,506
		242,385,443
	4,054,131	21,474,727
<u>225,794,934</u>	<u>4,078,525</u>	<u>3,688,093,056</u>
		631,683,100
		218,626,564
		530,584,171
		6,860,450
		272,973,985
		57,275,932
		1,435,220,131
		13,303,082
		10,010,702
		10,945,250
		25,235,634
		27,010,311
		137,279,930
		108,859,769
		192,270,204
		56,180,000
		202,792,270
		1,512,224
		4,162,953,911
12,991	329,832	8,101,577,620
35,370,000		
137,301,879		
627,919		
<u>174,226,286</u>	<u>3,686,979</u>	<u>8,101,577,620</u>
<u>51,568,648</u>	<u>391,546</u>	<u>(4,413,484,564)</u>
		4,020,921,157
(1,780,133,499)		(2,537,519,924)
2,196,605,000		3,149,155,000
		719,463
		4,405,583
<u>416,471,501</u>	<u>0</u>	<u>4,637,681,279</u>
<u>468,040,149</u>	<u>391,546</u>	<u>224,196,715</u>
310,178,598	723,168	559,239,339
\$ <u>778,218,747</u>	\$ <u>1,114,714</u>	\$ <u>783,436,054</u>

**EXHIBIT C**

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

**For the fiscal year ended August 31, 2007**

	Balances September 1, 2006	Additions	Deductions	Balances August 31, 2007
	\$	\$	\$	\$
<b>UNAPPROPRIATED RECEIPTS</b>				
<b>General Revenue Fund (0001), U/F (1001) *</b>				
Assets:				
Current:				
Cash on Hand	0	73,666,510	73,666,510	0
Total Assets	<u>0</u>	<u>73,666,510</u>	<u>73,666,510</u>	<u>0</u>
Liabilities:				
Current:				
Funds Held for Others	0	73,666,510	73,666,510	0
Total Liabilities	<u>0</u>	<u>73,666,510</u>	<u>73,666,510</u>	<u>0</u>
<b>OTHER AGENCY FUNDS</b>				
<b>Proportional Registration Distributive Fund (0021), U/F (0021)</b>				
Assets:				
Current:				
Cash on Hand	295,495	38,096,607	37,919,190	472,912
Cash in State Treasury	2,310,045	37,919,190	34,164,690	6,064,545
Total Assets	<u>2,605,540</u>	<u>76,015,797</u>	<u>72,083,880</u>	<u>6,537,457</u>
Liabilities:				
Current:				
Other Intergovernmental Payables	2,605,540	38,096,607	34,164,690	6,537,457
Total Liabilities	<u>2,605,540</u>	<u>38,096,607</u>	<u>34,164,690</u>	<u>6,537,457</u>
<b>Employees' Savings Bond Account (0901), U/F (0901)</b>				
Assets:				
Current:				
Cash in State Treasury	39,866	404,535	408,425	35,976
Total Assets	<u>39,866</u>	<u>404,535</u>	<u>408,425</u>	<u>35,976</u>
Liabilities:				
Current:				
Funds Held for Others	39,866	404,535	408,425	35,976
Total Liabilities	<u>39,866</u>	<u>404,535</u>	<u>408,425</u>	<u>35,976</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 statement.

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

	Balances September 1, 2006	Additions	Deductions	Balances August 31, 2007
	\$	\$	\$	\$
<b>OTHER AGENCY FUNDS</b>				
<b>County/Political Subdivision, Local Government Road/Airport Trust Account (0927), U/F (0927)</b>				
Assets:				
Current:				
Cash in State Treasury	9,907,053	105,942,976	22,153,978	93,696,051
<b>Total Assets</b>	<u>9,907,053</u>	<u>105,942,976</u>	<u>22,153,978</u>	<u>93,696,051</u>
Liabilities:				
Current:				
Funds Held for Others	9,907,053	105,942,976	22,153,978	93,696,051
<b>Total Liabilities</b>	<u>9,907,053</u>	<u>105,942,976</u>	<u>22,153,978</u>	<u>93,696,051</u>
<b>Direct Deposit Correction Account (0980), U/F (0980 and 9014)</b>				
Assets:				
Current:				
Cash in State Treasury	189	525,015	512,427	12,777
<b>Total Assets</b>	<u>189</u>	<u>525,015</u>	<u>512,427</u>	<u>12,777</u>
Liabilities:				
Current:				
Funds Held for Others	189	525,015	512,427	12,777
<b>Total Liabilities</b>	<u>189</u>	<u>525,015</u>	<u>512,427</u>	<u>12,777</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>Assets:</b>				
Current:				
Cash on Hand	295,495	111,763,117	111,585,700	472,912
Cash in State Treasury	12,257,153	144,791,716	57,239,520	99,809,349
<b>Total Assets</b>	<u>12,552,648</u>	<u>256,554,833</u>	<u>168,825,220</u>	<u>100,282,261</u>
<b>Liabilities:</b>				
Current:				
Other Intergovernmental Payables	2,605,540	38,096,607	34,164,690	6,537,457
Funds Held for Others	9,947,108	180,539,036	96,741,340	93,744,804
<b>Total Liabilities</b>	<u>\$ 12,552,648</u>	<u>\$ 218,635,643</u>	<u>\$ 130,906,030</u>	<u>\$ 100,282,261</u>



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# Addendum



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## 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. In December 1993, through an interagency contract with the Governor's Office, the Texas Automobile Theft Prevention Authority (ATPA) was moved to TxDOT. H.B. 2845, signed June 1995, established the ATPA in TxDOT. Also in 1995, trucking regulation was transferred from the Texas Railroad Commission to TxDOT (effective September 1, 1995). Finally, the Texas Turnpike Authority merged with TxDOT in 1997.

The agency is charged with developing and maintaining a statewide multimodal transportation network, some licensing and regulation of motor vehicles, and other transportation-related duties.

### TxDOT mission

The TxDOT mission is to provide safe, efficient and effective means for the movement of people and goods throughout the state, facilitating trade and economic opportunity.

### TxDOT vision

The TxDOT vision is to be a progressive state transportation agency recognized and respected by the citizens of Texas,

- Providing comfortable, safe, durable, cost-effective, environmentally sensitive and aesthetically appealing transportation systems that work together;
- Ensuring a desirable workplace which creates a diverse team of all kinds of people and professions;
- Using efficient and cost-effective work methods that encourage innovation and creativity; and
- Promoting a higher quality of life through partnerships with the citizens of Texas and all branches of government by being receptive, responsible and cooperative.

### TxDOT goals

TxDOT goals are to reduce congestion, enhance safety, expand economic opportunity, improve air quality and increase the value of transportation assets.

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## Organization

(An organization chart and a listing of administrative and key personnel as of August 31, 2007, are presented on pages 83-87.)

TxDOT is governed by the five-member Texas Transportation Commission and an executive director selected 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 governor designates all members of the Texas Transportation Commission. The executive director is the chief executive officer, assisted by one deputy executive director and two assistant executive directors. An internal audit office performs periodic independent audits of department operations.

The department conducts its primary activities in 25 geographical districts. Varying climate and soil and 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.

Twenty-one functional divisions and six offices headquartered in Austin provide administrative and technical support to the districts.

## Headquarters Offices and Divisions

### 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 direct 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

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both department personnel and consulting engineering firms. Design and plan preparation responsibilities include bridges, geotechnical structures, and overhead sign bridges and other traffic structures. The division provides assistance with bridge construction and maintenance problems, damaged structures, and construction inspection services involving welded and bolted steel bridges. In addition, BRG manages the federally mandated bridge inspection program for the state's 49,000 bridges and also oversees programs for replacement and rehabilitation of on- and off-system structurally deficient and functionally obsolete bridges. The division develops policies, standards, manuals, and guidelines for project development, design, plan preparation, plan review, construction, maintenance, and inspection of bridges to ensure the safety and mobility of the traveling public.

## **Construction Division**

The Construction Division (CST) contributes directly to all TxDOT construction contracts administration. The division is responsible for contractor pre-qualification, bid proposal issuance and construction and maintenance contracts letting. The division provides consultation to districts on project management and administration from pre-letting to final project acceptance. The division is also responsible for complying with TxDOT and the Federal Highway Administration (FHWA) requirements by assuring the overall effectiveness of the construction oversight program. The division provides materials quality and testing for construction and maintenance materials as well as a focus in and coordination of pavement design and management.

## **Design Division**

The Design Division 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; processes and assembles plans and bid proposals; and advertises construction and maintenance highway projects for letting. The division manages the department's letting schedules and ensures federal funds are used according to regulations. It 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. The division is responsible for recommending policies and developing guidance and procedures for overseeing project investigations, public involvement, and 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. The division also provides assistance with hazardous materials and other environmental issues on construction and maintenance projects and on department property. ENV also administers contracts to support projects statewide. The division is responsible for activities associated with TxDOT's role as a member of the Coastal Coordination Council, which oversees the Texas Coastal Management Program.

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## **Finance Division**

The Finance Division (FIN) is responsible for TxDOT's accounting, forecasting, budgeting, 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 also administers the State Infrastructure Bank, pass-through toll, debt management, investments, and bond programs of the department.

## **General Services Division**

The General Services Division (GSD) is the central purchasing office for the department, operating with the largest state agency purchasing staff in Texas. GSD manages four regional supply 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 they coordinate the statewide alternative fuels, recycling, records management, mail, and surplus property functions. The GSD general shops construct customized equipment and furnishings necessary for the districts, 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 electronically publishes the department's manuals and highway construction plans on TxDOT's Intranet site. Plans used in the bidding and letting processes are also published on the Internet for the convenience of our external customers.

## **Government and Public Affairs Division**

The Government and Public Affairs Division manages TxDOT business before the Texas Legislature and United States Congress, serves as the agency's media spokesperson, analyzes policy questions, studies long-term department challenges and prepares TxDOT's strategic plan. The division focuses on integrating the public and private sectors in the delivery of transportation infrastructure through business development, program marketing, public conferences and internal and external communications.

## **Human Resources Division**

The Human Resources Division (HRD) provides leadership and strategic direction for statewide compensation and benefits programs. It develops and administers external talent acquisition programs; measures human resource performance objectives through workforce metrics and trend analyses; manages and delivers technical and soft skills 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; 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.

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## **Information Systems Division**

The Information Systems Division (ISD) supports the information technology (IT) needs of TxDOT's administrative and engineering activities. ISD 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, direction and management of the IT security program, photogrammetry services for department design activities, training and end-user support for engineering and surveying applications and ensuring TxDOT compliance with state information resource (IR) requirements.

## **Maintenance Division**

The Maintenance Division (MNT) administers and oversees the statewide maintenance budget, maintenance condition assessment, maintenance contracts, maintenance programs and activities. It is responsible for oversight of the department's ferry operations, development of safety rest areas, vegetation 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 oversize/overweight permits; one-trip, 72-hour and 144-hour vehicle registration permits; processes applications for and issues motor carrier operating authority for intrastate, national, and international carriers; processes motor carrier insurance filings; licenses vehicle storage facilities; and processes transportation broker performance bonding filings. The MCD enforces provisions of Chapter 643 and 645 of the Texas Transportation Code and Chapter 2303 of the Occupation Code by responding to complaints, conducting motor carrier and vehicle storage facility investigations, coordinating consumer protection arbitration mediation for household goods carriers and their customers, and assessing administrative penalties for violations of motor carrier laws and department rules. Efforts are coordinated with local law enforcement and the Texas Department of Public Safety regarding federal motor carrier safety provisions, motor carrier registration, and vehicle storage facility registration and with the Texas Attorney General's Office regarding administrative penalties.

## **Motor Vehicle Division**

The Motor Vehicle Division (MVD) regulates the vehicle distribution industry in Texas. It licenses motor vehicle dealers, lessors, lease facilitators, manufacturers, distributors and converters. The division enforces provisions of Chapter 2301 of the Texas Occupations Code and the Lemon Law and is responsible for the regulation, administration and enforcement of Chapter 503 of the Transportation Code, also known as the Texas Dealer Law.

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## **Occupational Safety Division**

The Occupational Safety Division (OCC) is responsible for the department's self-insured workers compensation insurance program, the employee safety program and aspects of hazardous materials involvement that affect employee safety and health. OCC also resolves tort and liability claims against the department.

## **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 as such oversees and assists regions within the state as they proceed to develop local regional plans. In addition, PTN is also responsible for the State's medical transportation program (MTP) functions which transferred from the department of Health to TxDOT in 2003. Additionally, all health and human service agencies and the Texas Workforce Commission are required to contract with TxDOT for the provision of non-emergency client transportation services to eligible clients. The Public Transportation Advisory Committee (PTAC) advises the Texas Transportation Commission. The members serve staggered three-year terms and represent public transportation providers (four members), transportation users (three members), the general public (three members); plus one member with experience in the administration of health and human services programs.

## **Right of Way Division**

The Right of Way Division (ROW) manages the acquisition of right of way and other real property interests necessary for TxDOT operations. It also coordinates eminent domain proceedings with the state attorney general and administers the adjustment and relocation of utilities on right of way acquisition projects. The division administers the Relocation Assistance Program, leasing of TxDOT right of way and also coordinates the disposal of surplus real property. The Right of Way Division performs the regulatory function for control of outdoor advertising and junkyards along interstate and primary highways in accordance with the Federal Highway Beautification Act.

## **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 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 Safe Routes to School Program and the department's state and federal highway/rail at-grade crossing programs. 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 Texas Transportation Plan, the Statewide Transportation Improvement Program, the Metropolitan Planning Organization planning activities, the Unified Transportation Program consisting of the Statewide Mobility Program and the Statewide Preservation Program, 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 and is responsible for program calls and authorizing preliminary engineering. TPP also 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, pedestrian and rail planning, and manages the statewide rail safety inspection program. 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 Division**

The Travel Division (TRV) conducts the official state tourist information program and is responsible for administering a program to stimulate travel to and within the state. The division manages the Don't Mess with Texas litter prevention campaign and the Adopt-a-Highway program. TRV publishes the Texas Official Travel Map, the Texas State Travel Guide and Texas Highways, the state's official travel magazine, as well as other travel publications; and fulfills inquiries for Texas travel information. TRV operates 12 Texas Travel Information Centers, including one within the Capitol Complex in Austin, and its employees serve as the state's frontline ambassadors providing travel and highway condition information. The division also provides audiovisual support for the department.

## **Texas Turnpike Authority Division**

The Texas Turnpike Authority Division (TTA) is charged with developing and operating a safe, reliable and cost-effective state-owned system of toll roads using alternative financing and delivery methods as well as attracting private sector capital to accelerate projects. The division's responsibilities are divided into five areas: toll feasibility studies/planning and design support, toll operations and TxTag services, comprehensive development agreements and public-private partnerships, regional mobility authorities, and the Trans-Texas Corridor.

Currently, TTA is conducting environmental studies on two elements of the Trans-Texas Corridor: Oklahoma to Mexico/Gulf Coast (TTC-35) and Northeast Texas to Mexico (I-69/TTC). The division is

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also overseeing work on the master development plan for TTC-35 that has been completed by Cintra Zachry, TxDOT's developer for TTC-35.

## **Vehicle Titles and Registration Division**

Vehicle Titles and Registration Division is responsible for vehicle titles and registration, issuing 6 million titles and 20 million registration stickers, and collecting \$4.5 billion in fees. VTR provides the oversight/administration for production/distribution of 10 million license plates; the licensing of 8,600 salvage dealers/agents; and operation of the International Registration Plan, which includes managing 19,340 apportioned accounts and registering 103,328 power units. VTRs Registration and Title System (RTS) database houses 51 million records from which VTR distributes 20 million registration renewal notices; responds to over 2 million information requests; and processes 62 million inquiries from law enforcement. VTR partners with the states 254 counties that use the RTS system to process registration and titling transactions. The divisions Auto Theft Prevention Authority awards \$12.8 million in grants to 30 city, county and regional governments to help curb vehicle thefts.

## **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). As well as 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 670 contracts a year by site audits, desk reviews, exception ratios, evaluations and pre-negotiation reports. This includes about \$250million 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 they are functioning as intended. This section also works in concert with Internal Auditors (IAs) in districts and divisions. Based on legislative direction, the district and division IAs submit plans and reports to AUD for summary reporting to the Commission. The district and division IAs have implemented a peer review program internal to TxDOT. This program is intended to provide compliance with professional auditing standards and increased value to management.

## **Business Opportunities Program**

The Business Opportunities Programs, (BOP), in compliance with Senate Bill 178 Sec. 2161.066, facilitates TxDOT's efforts for coordinating business opportunities with Disadvantage Business Enterprises (DBEs), Historical Underutilize Businesses (HUBs), Small Business Enterprises (SBEs), Prime Contractors and TxDOT, Divisions and Districts as mandated by this legislation. BOP is Comprised of Two Sections: The Program Services & Outreach Section coordinates services that provide business opportunity information, trainings, 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. The Program Certification, Compliance & Reporting Section certifies and audits DBE firms, monitors the work of DBEs, HUBs, Prime Contractors and TxDOT to ensure compliance with



DBE and HUB Programs, establishes the DBE and HUB participation goals for procurement opportunities and monitors and reports DBE and HUB program participation on TxDOT contracts.

## **International Relations Office**

The International Relations Office (IRO) is TxDOT's primary international coordinator of international functions, operations and information. The office represents Texas and TxDOT on international and national committees concerning the border and international transportation matters. The IRO assists with implementation of the international/border-related elements of the Texas Transportation Plan, primarily those regarding border efficiencies. The office responds to border associated legislative inquiries and to informational requests on international transportation issues. The office serves as primary liaison to Mexican counterparts and officials from other foreign countries. The IRO coordinates international meetings as well as visitor trips to TxDOT and provides cultural protocol information for TxDOT staff pertaining to the visitors countries of origin. The office participates in TxDOT's NAFTA and border research and further, coordinates manages the Border Technology Exchange Program. The IRO additionally supports the Governors Office and the Office of the Secretary of State, particularly involving the Border Governors' Conference. The office produces various publications, including: the Texas-Mexico International Bridges and Border Crossings: Existing and Proposed, the SB224 Report that requires TxDOT to meet with it's Mexican counterparts to discuss transportation and infrastructure issues, and the TxDOT International Activities Report and the LTSS Quarterly Report.

## **Office of Civil Rights**

The Office of Civil Rights (OCR) investigates grievances of alleged violations of Title VII of the Civil Rights Act of 1964 (discrimination) and non-discrimination grievances. OCR manages the Affirmative Action/Equal Employment Opportunity (EEO) Program and other workforce diversity initiatives for the department. In addition, the office is responsible for the administration of the Contractor EEO Compliance Program, including Title VI of the Civil Rights Act of 1964 and conducts compliance audits/reviews. These OCR responsibilities ensure equal opportunities in employment, promotions, training, participation in business opportunities and services to the public.

## **Office of General Counsel**

The Office of Civil Rights (OCR) investigates employee grievances 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.

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## **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.

## Administrative and Key Personnel as of August 31, 2007

### Governing Commissions, Boards and Statutory Advisory Committees

#### Texas Transportation Commission

Ric Williamson, chair	Weatherford	(512) 305-9509
Hope Andrade	San Antonio	(512) 305-9509
Ned S. Holmes	Houston	(512) 305-9509
Ted Houghton	El Paso	(512) 305-9509
Fred Underwood	Lubbock	(512) 305-9509

#### Texas Automobile Theft Prevention Authority Board

*(Members appointed by the Governor and serve six-year terms. They do not report to the Texas Transportation Commission)*

Mike Gerik, Chair	Waco	(254) 751-2336
Cindy Ramos-Davidson	El Paso	(915) 566-4066
Tommy Davis	Austin	(512) 424-2130
Carlos Garcia	Brownsville	(956) 548-7050
Jason Hartgraves	Dallas	(214) 653-2746
Denise Anaya Saenz	El Paso	(915) 541-7055
Richard L. Watson	Austin	(512) 462-2579

#### Aviation Advisory Committee

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

Joe Crawford	Abilene	(325) 671-8013
Pete Huff	McKinney	(972) 562-7450
Greg Jones	Woodlands	(281) 419-1271
James Schwertner	Schwertner	(254) 527-3342
Gordon Richardson	Caldwell	(979) 567-3003
Robert Bruce	Boerne	Not available

#### Bicycle Advisory Committee

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

Gretchen Arnold	Corpus Christi	(361) 825-3070
Tommy Eden	Austin	(512) 327-7817
Regina Garcia	Houston	(713) 522-9306
Robert C. Gilbert	Houston	(281) 517-1340
Annie Melton	Dallas	(214) 828-2144
Robin Stallings	Austin	(512) 694-9158
Sheila Holbrook-White	Austin	(512) 699-8136
Michael R. Wyatt	El Paso	(915) 585-5100

#### Border Trade Advisory Committee

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

Raul Salinas	Laredo	(956) 791-7400
Leopoldo Palacios	Pharr	(956) 702-5335
Joe Hernandez	San Benito	(956) 361-3802

Pat Ahumada	Brownsville	(956) 546-4021
John Cook	El Paso	(915) 541-4145
Mike Bradford	Midland	(432) 685-1822
Jesse Medina	Pharr	(956) 781-1473
Pete Sepulveda, Jr.	Brownville	(956) 982-5414
George Ramon	Hidalgo	(956) 843-2471
Jose F. Galvan	Brownsville	(956) 548-2415
Sam R. Sparks	Progresso	(956) 565-6361
Sam F. Vale	Rio Grande City	(956) 487-5606
Carlos Marin	El Paso	(915) 832-4157
Ramon Mendoza, Jr.	El Paso	(915) 858-3842
Michael O'Toole	Austin	(512) 416-2286
Robert Harrison	Austin	(512) 232-3113
William R. Stockton	College Station	(979) 845-1713
Rafael M. Aldrete	El Paso	(915) 532-3759
J. Michael Patrick	Laredo	(956) 326-2547
Roman "Dino" Esparza	Brownsville	(956) 547-7775
Raul Rodriguez	San Antonio	(956) 547-7775
Lance Eliot Brouters	El Paso	(915) 747-8919
David Allex	Harlingen	(956) 425-6199
Dennis Burluson	McAllen	(956) 687-7211
Efrain Valdez	Del Rio	(830) 774-8558
Chad Foster	Eagle Pass	(830) 773-1313
Rosalva Guerra	Zapata	(956) 765-9920
Billy Summers	Weslaco	(956) 968-3141
Judy Hawley	Corpus Christi	(361) 882-6400

**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) 882-5633
Wade M. Battles	Port of Houston	(713) 670-2400
Robert H. Van Borssum	Port of Lavaca Point Comfort	(361) 987-2813
David C. Fisher	Port of Beaumont	(409) 835-5367
Bernard List	Port of Brownsville	(956) 831-4592
AJ "Pete" Reixach Jr.	Port of Freeport	(979) 233-2667
Tony Rigdon	Port of Palacios	(361) 972-5556

**Public Transportation Advisory Committee**

*(Members appointed by the Texas Transportation Commission)*

Fred Gilliam, chair	Austin	(512) 389-7425
John Wilson, vice chair	Lubbock	(806) 712-2001
Michelle Bloomer	Arlington	(817) 608-2329
Frank Castellanos	Brownsville	(956) 548-6700
Kari Hackett	Houston	(713) 993-4576
Donna Halstead	Dallas	(214) 653-1031
Vince Huerta	El Paso	(915) 532-3415
Claudia Langguth	Austin	(512) 689-6303
Mark Maddy	Brownsville	(512) 416-2810

Bob Peters	Tyler	(903) 561-7114
J.R. Salazar	Coleman	(325) 625-4491

**Trans-Texas Corridor Advisory Committee**

*(Members appointed by the Executive Director or his designee and will serve until December 31, 2007, unless the Texas Transportation Commission amends its rules to provide for a different date or abolishes the committee before this date)*

Judy Hawley, chair	Corpus Christi	(361) 882-6400
Kenneth Barr, vice chair	Fort Worth	(817) 335-1997
Steve Bonnette	San Antonio	(210) 375-9000
Louis A. Bronaugh	Lufkin	(936) 633-0293
Tim Brown	Belton	(254) 933-5102
Sidney Charles Covington, Jr.	Austin	(512) 936-0903
Debra C. Garcia	El Paso	(512) 936-0903
Sandra A. Greyson	Dallas	(512) 936-0903
Roger H. Hord	Houston	(713) 461-9378
Alan Johnson	Harlingen	(956) 365-6550
William B. Madden	Dallas	(214) 855-5335
Marc Maxwell	Sulphur Springs	(903) 885-7541
Anne O’Ryan	Austin	(512) 899-8843
Charles R. Perry	Midland	(432) 563-3225
Jose R. Ramos, Jr.	Austin	(512) 974-8755
Wesley Noel Reeves	Amarillo	(806) 378-2714
Grady W. Smithey, Jr.	Duncanville	(972) 780-5017
Linda Stall	Fayetteville	(979) 968-8099
John P. Thompson	Livingston	(936) 327-6813
Martha Tyroch	Temple	(254) 773-1896
Roy Dell Walthall	Bellmead	(254) 799-0800
Benny Glen Whitley	Hurst	(817) 581-3600

**Administration**

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

Executive Director	Michael W. Behrens, P.E.	305-9501
Deputy Executive Director	Steven E. Simmons, P.E.	305-9502
Assistant Executive Directors		
• Engineering Operations	Amadeo Saenz Jr., P.E.	305-9504
• Support Operations	Edward S. Serna	305-9506

**Division Directors**

*(All divisions are in the 512 area code)*

Aviation	David S. Fulton	416-4501
Bridge	William R. Cox, P. E.	416-2183
Construction	Thomas Bohuslav, P.E.	416-2559
Design	Mark A. Marek, P.E.	416-2653
Environmental Affairs	Dianna Noble, P.E.	416-2734
Finance	James M. Bass	463-8684
General Services	Scott Burford	302-2401
Government and Public Affairs	Coby Chase	463-6086
Human Resources	Diana Isabel	486-5304

Information Systems	Judy B. Skeen, P.E.	465-7491
Maintenance	Zane Webb, P.E.	416-3034
Motor Carrier	Carol Davis	465-3500
Motor Vehicle	Brett Bray	416-4899
Occupational Safety	Edwin M. Sims	416-3385
Public Transportation	Eric Gleason	416-2814
Right of Way	John P. Campbell, P.E.	416-2901
Traffic Operations	Carlos A. Lopez, P.E.	416-3200
Transportation Planning and Programming	James L. Randall, P.E.	486-5000
Travel	Doris Howdeshell	486-5900
Turnpike Authority	Phillip Russell, P.E.	936-0903
Vehicle Titles and Registration	Rebecca Davio	465-7570

**Office Directors**

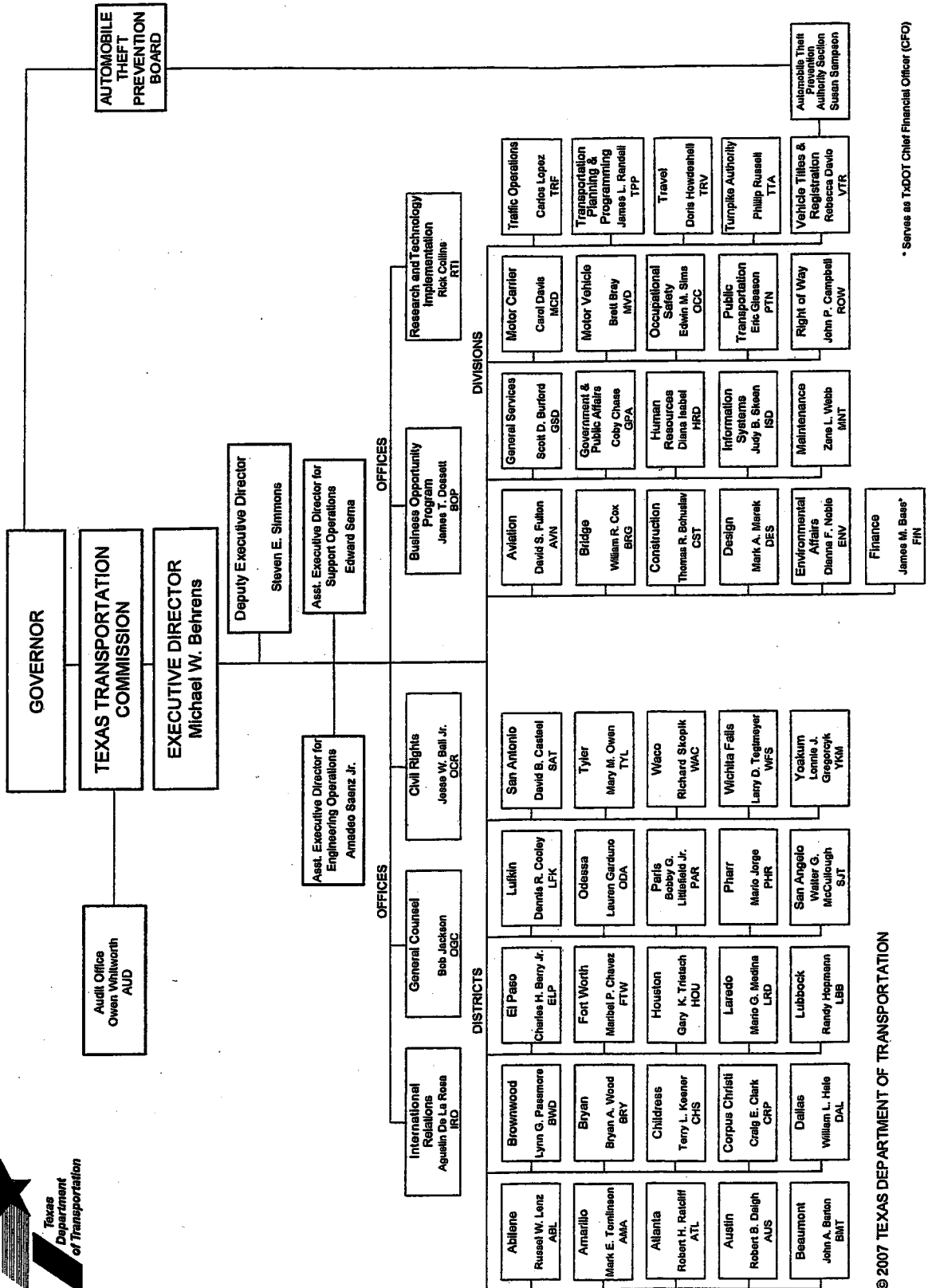
*(All offices are in the 512 area code)*

Audit	Owen Whitworth	463-8637
Business Opportunity Program	James T. Dossett	486-5500
Civil Rights	Jesse W. Ball, Jr	475-3117
General Counsel	Bob Jackson	463-8630
International Relations	Augustin De La Rosa	374-5326
Research and Technology Implementation	Rick Collins, P.E.	465-7632

**District Engineers**

Abilene	Russel W. Lenz, P.E.	(325) 676-6802
Amarillo	Mark E. Tomlinson, P.E.	(806) 356-3201
Atlanta	Robert H. Ratcliff, P.E.	(903) 799-1220
Austin	Robert Daigh, P.E.	(512) 832-7021
Beaumont	John A. Barton, P.E.	(409) 898-5731
Brownwood	Lynn G. Passmore, P.E.	(915) 643-0411
Bryan	Bryan A. Wood, P.E.	(979) 778-9611
Childress	Terry L. Keener, P.E.	(940) 937-7145
Corpus Christi	Craig E. Clark, P.E.	(361) 808-2220
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	Gary K. Trietsch, P.E.	(713) 802-5001
Laredo	Mario G. Medina, P.E.	(956) 712-7400
Lubbock	Randy Hopmann, P.E.	(806) 748-4420
Lufkin	Dennis R. Cooley, P.E.	(936) 633-4433
Odessa	Lauren Garduño, P.E.	(432) 498-4711
Paris	Bobby G. Littlefield, Jr., P.E.	(903) 737-9206
Pharr	Mario Jorge, P.E.	(956) 702-6100
San Angelo	Walter G. McCullough, P.E.	(325) 947-9200
San Antonio	David B. Casteel, P.E.	(210) 615-5801
Tyler	Mary M. Owen, 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, 2007



\* Serves as TxDOT Chief Financial Officer (CFO)

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# Schedules



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(601)

**Schedule 1A**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended August 31, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<b><u>Federal Aviation Administration (FAA):</u></b>					
Direct Program:					
Airport Improvement Program	20.106				39,377,888
Total FAA:			0	0	39,377,888
<b><u>Federal Motor Carrier Safety:</u></b>					
Direct Program:					
National Motor Carrier Safety Program	20.218				161,438
Total:			0	0	161,438
<b><u>Federal Transit Administration (FTA):</u></b>					
Pass-Through Funds to Other Entities:					
Technical Studies Grants	20.505				5,696,330
Public Transportation for Nonurbanized Areas	20.509				23,318,893
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513				7,117,890
Transit Planning and Research	20.514				39,986
State Planning and Research	20.515				227,776
Job Access: Reverse Commute	20.516				149,261
New Freedom Program Grants	20.521				33,053
Total FTA:			0	0	36,583,189
<b><u>General Services Administration (GSA):</u></b>					
Pass-Through Funds:					
Donation of Federal Surplus Personal Property (NON-MONETARY)					
Pass-Through from Texas Facilities Commission	39.003	303	19,403		
Total GSA:			19,403	0	0
<b><u>Environmental Protection Agency (EPA):</u></b>					
Pass-Through Funds:					
Performance Partnership Grants					
Pass-Through from Texas Comm. On Environmental Quality	66.605	582	220,000		
Total EPA:			220,000	0	0
<b><u>Department of Homeland Security (DHS):</u></b>					
Pass-Through Funds:					
Public Assistance Grants					
Pass-Through from Texas Dept. of Public Safety	97.036	405	531,245		
Total DHS:			531,245	0	0
<b>Other Clusters</b>					
<b>Medicaid Cluster:</b>					
<b><u>Department of Health and Human Services (HHS):</u></b>					
Pass-Through Funds:					
Medical Assistance Program					
Pass-Through from Texas Health and Human Services Comm.	93.778	529	51,768,901		
Total HHS:			51,768,901	0	0
<b>Federal Transit Cluster:</b>					
<b><u>Federal Transit Administration (FTA):</u></b>					
Pass-Through Funds to Other Entities:					
Federal Transit Formula Grants	20.507				386,643
Total FTA:			0	0	386,643

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Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$	\$	\$	\$	\$	\$
39,377,888				39,377,888	39,377,888
<u>39,377,888</u>		<u>0</u>	<u>0</u>	<u>39,377,888</u>	<u>39,377,888</u>
161,438				161,438	161,438
<u>161,438</u>		<u>0</u>	<u>0</u>	<u>161,438</u>	<u>161,438</u>
5,696,330			5,696,330		5,696,330
23,318,893			23,318,893		23,318,893
7,117,890			7,117,890		7,117,890
39,986			39,986		39,986
227,776			227,776		227,776
149,261			149,261		149,261
33,053			33,053		33,053
<u>36,583,189</u>		<u>0</u>	<u>36,583,189</u>	<u>0</u>	<u>36,583,189</u>
19,403				19,403	19,403
<u>19,403</u>		<u>0</u>	<u>0</u>	<u>19,403</u>	<u>19,403</u>
220,000				220,000	220,000
<u>220,000</u>		<u>0</u>	<u>0</u>	<u>220,000</u>	<u>220,000</u>
531,245				531,245	531,245
<u>531,245</u>		<u>0</u>	<u>0</u>	<u>531,245</u>	<u>531,245</u>
51,768,901				51,768,901	51,768,901
<u>51,768,901</u>		<u>0</u>	<u>0</u>	<u>51,768,901</u>	<u>51,768,901</u>
386,643			386,643		386,643
<u>386,643</u>		<u>0</u>	<u>386,643</u>	<u>0</u>	<u>386,643</u>

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

### Year Ended August 31, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
<i>Highway Planning and Construction Cluster:</i>					
<i>Federal Highway Administration (FHWA):</i>					
Direct Program:					
Highway Planning and Construction	20.205				1,703,602,491
Pass-Through Funds:					
Highway Planning and Construction					
Texas Department of Public Safety	20.205				2,798,332
University of Texas at Arlington	20.205				413,453
Prairie View A & M University	20.205				39,753
Texas A & M Engineering Extension Service	20.205				178,659
Texas Southern University	20.205				219,195
University of Texas at Austin	20.205				6,031,312
University of Texas at El Paso	20.205				482,335
Texas Transportation Institute	20.205				8,792,800
University of Houston	20.205				875,458
Texas A & M University - Kingsville	20.205				308,404
Texas Tech University	20.205				474,616
University of North Texas	20.205				38,167
Texas State University - San Marcos	20.205				13,419
West Texas A & M University	20.205				27,604
Texas A & M University - Corpus Christi	20.205				12,721
Pass-Through to Other Entities	20.205				112,475,516
Total FHWA:		0	0	0	1,836,784,235
<i>Department of Transportation (DOTS):</i>					
Direct Program:					
Highway Planning and Construction	20.205				917,517
Total DOTS:		0	0	0	917,517
<i>Highway Safety Cluster:</i>					
<i>National Highway Traffic Safety Admin. (NHTSA):</i>					
Direct Program:					
State and Community Highway Safety Program	20.600				244,044
Discretionary Innovative Grants - Seat Belt Use Rate	20.604				167,167
Safety Belt Performance Grants	20.609				720,328
Pass-Through Funds:					
State and Community Highway Safety Program					
Texas Department of Public Safety	20.600				394,604
Texas Alcoholic Beverage Commission	20.600				1,432
Texas Department of State Health Services	20.600				818,171
Texas Cooperative Extension	20.600				197,888
University of Texas at Arlington	20.600				88,106
Texas A & M Engineering Extension Service	20.600				772,638
Texas Transportation Institute	20.600				319,216
Texas Tech University Health Sciences Center	20.600				35,559
University of Texas - San Antonio Health Science Center	20.600				71,786
Sam Houston State University	20.600				66,234
Texas A & M University - Corpus Christi	20.600				73,539
University of Houston - Downtown	20.600				48,607
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants					
Texas Department of Public Safety	20.601				152,166
Texas Alcoholic Beverage Commission	20.601				58,731
Sam Houston State University	20.601				34,651
Texas State University - San Marcos	20.601				83,203
University of Houston - Downtown	20.601				106,835

- Continued on Next Page

Total Pass-Through From and Direct Program	Pass-Through To			Expenditures	Total Pass-Through To and Expenditures Amount
	Agency Number	State Entities	Other Entities		
\$ 1,703,602,491				\$ 1,703,602,491	\$ 1,703,602,491
2,798,332	405	2,798,332			2,798,332
413,453	714	413,453			413,453
39,753	715	39,753			39,753
178,659	716	178,659			178,659
219,195	717	219,195			219,195
6,031,312	721	6,031,312			6,031,312
482,335	724	482,335			482,335
8,792,800	727	8,792,800			8,792,800
875,458	730	875,458			875,458
308,404	732	308,404			308,404
474,616	733	474,616			474,616
38,167	752	38,167			38,167
13,419	754	13,419			13,419
27,604	757	27,604			27,604
12,721	760	12,721			12,721
<u>112,475,516</u>			<u>112,475,516</u>		<u>112,475,516</u>
<u>1,836,784,235</u>		<u>20,706,228</u>	<u>112,475,516</u>	<u>1,703,602,491</u>	<u>1,836,784,235</u>
<u>917,517</u>				<u>917,517</u>	<u>917,517</u>
<u>917,517</u>		<u>0</u>	<u>0</u>	<u>917,517</u>	<u>917,517</u>
244,044				244,044	244,044
167,167				167,167	167,167
720,328				720,328	720,328
394,604	405	394,604			394,604
1,432	458	1,432			1,432
818,171	537	818,171			818,171
197,888	555	197,888			197,888
88,106	714	88,106			88,106
772,638	716	772,638			772,638
319,216	727	319,216			319,216
35,559	739	35,559			35,559
71,786	745	71,786			71,786
66,234	753	66,234			66,234
73,539	760	73,539			73,539
48,607	784	48,607			48,607
152,166	405	152,166			152,166
58,731	458	58,731			58,731
34,651	753	34,651			34,651
83,203	754	83,203			83,203
106,835	784	106,835			106,835

- Continued on Next Page

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended August 31, 2007**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through From			Direct Program Amount
		Agency Number	State Entities	Other Entities	
		\$	\$	\$	
Discretionary Innovative Grants - Seat Belt Use Rate					
Texas Department of Public Safety	20.604				852,436
Texas Transportation Institute	20.604				326,346
Safety Belt Performance Grants					
Texas Transportation Institute	20.609				27,258
Pass-Through to Other Entities					
State and Community Highway Safety Program	20.600				11,319,308
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601				3,665,703
Occupant Protection	20.602				2,955,886
Discretionary Innovative Grants - Seat Belt Use Rate	20.604				1,191,622
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605				64,440
Safety Belt Performance Grants	20.609				2,019,209
Total NHTSA:			<u>0</u>	<u>0</u>	<u>26,877,113</u>
Total Other Clusters			<u>51,768,901</u>	<u>0</u>	<u>1,864,965,508</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 52,539,549</u>	<u>\$ 0</u>	<u>\$ 1,941,088,023</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		
\$	\$	\$	\$	\$	\$
852,436	405	852,436			852,436
326,346	727	326,346			326,346
27,258	727	27,258			27,258
11,319,308			11,319,308		11,319,308
3,665,703			3,665,703		3,665,703
2,955,886			2,955,886		2,955,886
1,191,622			1,191,622		1,191,622
64,440			64,440		64,440
2,019,209			2,019,209		2,019,209
<u>26,877,113</u>		<u>4,529,406</u>	<u>21,216,168</u>	<u>1,131,539</u>	<u>26,877,113</u>
1,916,734,409		25,235,634	134,078,327	1,757,420,448	1,916,734,409
<u>\$ 1,993,627,572</u>		<u>\$ 25,235,634</u>	<u>\$ 170,661,516</u>	<u>\$ 1,797,730,422</u>	<u>\$ 1,993,627,572</u>



## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Concluded)

### Year Ended August 31, 2007

**Note 1 - Nonmonetary Assistance**

The "Donation of Federal Surplus Personal Property" is presented at 23.3% of the federal acquisition cost of \$ 83,276. 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 2007 is \$19,403. 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)	\$1,941,088,023
Federal Pass Through Revenues (Exh. II)	52,520,146
Subtotal	<u>\$1,993,608,169</u>
Reconciling Items:	
Federal Surplus Personal Property Donation (Non-Monetary)	<u>19,403</u>
Total Pass-Through and Expenditures per Federal Schedule	<u><u>\$1,993,627,572</u></u>

**Note 7 - Federal Deferred Revenue**

Federal Deferred Revenue 9/1/06	\$26,751,674
Increase ( Decrease)	(15,613,529)
Federal Deferred Revenue 8/31/07	<u>\$11,138,145</u>

The federal deferred revenue ending balance of \$11,138,145 pertains to federal expenditures which were incurred and are reimbursable from the Federal Highway Administration but the federal revenue is not collectable within the next fiscal year. Federal CFDA number 20.205 applies to all federal deferred revenue amounts in note 7.

**Schedule 1B**

**SCHEDULE OF STATE PASS-THROUGH GRANTS FROM/TO STATE AGENCIES  
Year Ended August 31, 2007**

**Pass-Through To:**

Texas Automobile Theft Prevention Authority Grants	
Texas Department of Public Safety (Agency #405)	\$ 466,374
Texas Department of Criminal Justice (Agency #696)	61,992
Public Transportation Grants	
Texas Workforce Commission (Agency #320)	3,615,857
Texas Health and Human Services Commission (Agency #529)	20,712,844
Cooperative Agreement Grants	
Texas Transportation Institute (Agency #727)	<u>2,153,244</u>
Total Pass-Through To Other Agencies -Per Exhibit II	<u>\$ 27,010,311</u>

**SCHEDULE 2A**

**Miscellaneous Bond Information  
For the Fiscal Year Ended August 31, 2007**

**Governmental Activities**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
<b>General Obligation Bonds</b>						
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
<b>Revenue Bonds</b>						
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
<b>TOTAL</b>	<b>\$5,499,155,000</b>					

**Business-Type Activities**

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
<b>Revenue Bonds</b>						
<b>First Tier Revenue Bonds Series 2002 - A</b>						
Non-Callable Capital Appreciation Bonds	\$338,177,790	4.47%	5.75%	2012	2030	n/a
Callable Capital Appreciation Bonds	185,122,310	6.00%	6.10%	2025	2038	8/15/2012
Current Interest Bonds	707,875,000	5.00%	5.75%	2038	2042	8/15/2012
<b>First Tier Revenue Bonds Series 2002 - B</b>						
Weekly Demand Bonds	150,000,000	variable		2042	2042	10/01/2002
<b>TOTAL</b>	<b>\$1,381,175,100</b>					

**SCHEDULE 2B**

**Changes in Bonded Indebtedness  
For the Fiscal Year Ended August 31, 2007**

<b>Governmental Activities</b>						
Description of Issue	Bonds	Bonds	Bonds	Bonds	Bonds	Amounts
	Outstanding 9/1/2006	Issued	Matured or Retired	Refunded or Extinguished	Outstanding 8/31/2007	Due Within One Year
<b>General Obligation Bonds:</b>						
Series 2005-A Fixed Rate Bonds (Serial & Term)	\$878,730,000		\$14,115,000		\$864,615,000	\$14,680,000
Series 2005-B Variable Rate Bonds	96,785,000		2,710,000		94,075,000	2,800,000
Series 2006 Fixed Rate Bonds (Serial & Term)	750,000,000		18,350,000		731,650,000	12,275,000
Series 2006-A Fixed Rate Bonds (Serial & Term)		\$1,040,275,000	195,000		1,040,080,000	0
Series 2006-B Variable Rate Bonds		150,000,000			150,000,000	0
Series 2007 Fixed Rate Bonds (Serial & Term)		1,006,330,000			1,006,330,000	1,145,000
<b>Revenue Bonds:</b>						
<b>State Highway Fund First Tier Revenue Bonds</b>						
Series 2006 Fixed Rate Bonds	600,000,000		20,810,000		579,190,000	19,105,000
Series 2006-A Fixed Rate Bonds		852,550,000			852,550,000	31,565,000
Series 2006-B Variable Rate Bonds		100,000,000			100,000,000	0
<b>TOTAL GOVERNMENTAL</b>	<b>\$2,325,515,000</b>	<b>\$3,149,155,000</b>	<b>\$56,180,000</b>	<b>\$0</b>	<b>\$5,418,490,000</b>	<b>\$81,570,000</b>

<b>Business-Type Activities</b>						
Description of Issue	Bonds	Bonds	Bonds	Bonds	Bonds	Amounts
	Outstanding 9/1/2006	Issued	Matured or Retired	Refunded or Extinguished	Outstanding 8/31/2007	Due Within One Year
<b>Revenue Bonds:</b>						
<b>First Tier Revenue Bonds Series 2002 - A</b>						
Non-Callable Capital Appreciation Bonds	\$356,986,343	\$19,858,305			\$376,844,648	0
Callable Capital Appreciation Bonds	196,540,465	12,125,242			208,665,707	0
Current Interest Bonds	707,875,000				707,875,000	0
<b>First Tier Revenue Bonds Series 2002 - B</b>						
Weekly Demand Bonds	150,000,000				150,000,000	0
<b>TOTAL BUSINESS-TYPE</b>	<b>\$1,411,401,808</b>	<b>\$31,983,547</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,443,385,355</b>	<b>\$0</b>

(a)

Footnotes:

a) Revenue Bonds Outstanding Balance at 8/31/07 does not include unamortized premiums or discounts.

Revenue Bonds Outstanding per Schedule	\$1,443,385,355
Unamortized Premium	9,646,945
Unamortized Discount	(18,423,730)
Revenue Bonds Payable per Exhibit III	<u>\$1,434,608,570</u>

**SCHEDULE 2C**

**DEBT SERVICE REQUIREMENTS**

**For the Fiscal Year Ended August 31, 2007**



**Governmental Activities**

Description of Issue	2008	2009	2010	2011	2012	2013-2017
<b>TMF General Obligation Bonds</b>						
Series 2005-A						
Principal	\$ 14,680,000	15,415,000	16,185,000	16,995,000	17,845,000	103,525,000
Interest	41,589,703	40,855,703	40,084,952	39,275,702	38,425,952	177,821,013
Series 2005-B						
Principal	2,800,000	2,890,000	2,985,000	3,085,000	3,185,000	17,570,000
Interest	3,688,461	3,575,812	3,459,508	3,339,349	3,215,220	14,066,669
Series 2006						
Principal	12,275,000	12,860,000	13,485,000	14,115,000	14,785,000	85,050,000
Interest	36,070,543	35,482,850	34,858,700	34,229,050	33,557,113	156,666,713
Series 2006-A						
Principal	0	375,000	1,325,000	2,275,000	3,215,000	31,195,000
Interest	49,794,500	49,794,500	49,779,500	49,726,500	49,635,500	245,489,300
Series 2006-B						
Principal	0	0	0	0	0	0
Interest	7,228,664	5,467,459	5,475,000	5,475,000	5,482,541	27,367,459
Series 2007						
Principal	1,145,000	250,000	250,000	250,000	250,000	26,745,000
Interest	37,975,049	48,779,262	48,769,263	48,759,262	48,749,263	242,638,912
<b>SHF Revenue Bonds</b>						
Series 2006						
Principal	19,105,000	20,025,000	20,995,000	22,030,000	23,105,000	133,725,000
Interest	28,756,600	27,841,350	26,870,850	25,835,100	24,760,100	105,594,550
Series 2006-A						
Principal	31,565,000	33,105,000	34,680,000	36,415,000	38,155,000	220,755,000
Interest	41,629,925	40,101,675	38,521,425	36,787,425	35,041,675	145,255,550
Series 2006-B						
Principal	0	0	0	0	0	0
Interest	3,930,000	3,930,000	3,930,000	3,930,000	3,930,000	19,650,000
Total	332,233,445	340,748,611	341,654,198	342,522,388	343,337,364	1,753,115,166
Less Interest	250,663,445	255,828,611	251,749,198	247,357,388	242,797,364	1,134,550,166
Total Principal	\$ 81,570,000	84,920,000	89,905,000	95,165,000	100,540,000	618,565,000

**Business Type Activities**

Description of Issue	2008	2009	2010	2011	2012	2013-2017
<b>CTTS Revenue Bonds:</b>						
Series 2002-A						
Principal	\$ 0	0	0	0	4,505,000	85,930,000
Interest	37,161,837	37,161,837	37,161,837	37,161,837	37,161,837	185,809,188
Series 2002-B						
Principal	0	0	0	0	0	0
Interest	5,880,000	5,880,000	5,880,000	5,880,000	5,880,000	29,400,000
Total	43,041,837	43,041,837	43,041,837	43,041,837	47,546,837	301,139,188
Less Interest	43,041,837	43,041,837	43,041,837	43,041,837	43,041,837	215,209,188
Total Principal	\$ 0	0	0	0	4,505,000	85,930,000

2018- 2022	2023-2027	2028-2032	2033-2037	2038-2042	Requirements
128,470,000	162,295,000	219,110,000	170,095,000	0	864,615,000
152,871,308	119,048,687	74,036,925	16,408,875	0	740,418,820
20,670,000	24,300,000	16,590,000	0	0	94,075,000
10,289,545	5,847,810	1,057,112	0	0	48,539,486
108,085,000	137,755,000	175,470,000	157,770,000	0	731,650,000
133,631,562	103,966,738	66,243,250	18,684,750	0	653,391,269
102,985,000	223,925,000	381,200,000	293,585,000	0	1,040,080,000
232,640,250	195,721,950	127,826,100	26,330,250	0	1,076,738,350
0	0	0	150,000,000	0	150,000,000
27,375,000	27,375,000	27,382,541	19,347,352	0	157,976,016
79,180,000	129,675,000	194,105,000	574,480,000	0	1,006,330,000
230,763,062	206,381,925	169,875,250	112,605,025	0	1,195,296,273
170,480,000	169,725,000	0	0	0	579,190,000
68,833,750	21,732,750	0	0	0	330,225,050
279,955,000	177,920,000	0	0	0	852,550,000
86,051,875	15,925,550	0	0	0	439,315,100
0	100,000,000	0	0	0	100,000,000
19,650,000	14,707,828	0	0	0	73,657,828
1,851,931,352	1,836,303,238	1,452,896,178	1,539,306,252	0	10,134,048,192
962,106,352	710,708,238	466,421,178	193,376,252	0	4,715,558,192
889,825,000	1,125,595,000	986,475,000	1,345,930,000	0	5,418,490,000

2018- 2022	2023-2027	2028-2032	2033-2037	2038-2042	Requirements
212,365,000	382,445,000	559,670,000	700,925,000	739,125,000	2,684,965,000
185,809,188	185,809,188	185,809,188	185,809,188	106,256,563	1,221,111,688
0	0	0	0	150,000,000	150,000,000
29,400,000	29,400,000	29,400,000	29,400,000	29,400,000	205,800,000
427,574,188	597,654,188	774,879,188	916,134,188	1,024,781,563	4,261,876,688
215,209,188	215,209,188	215,209,188	215,209,188	135,656,563	1,426,911,688
212,365,000	382,445,000	559,670,000	700,925,000	889,125,000	2,834,965,000

**SCHEDULE 2D**

**ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE**  
**For the fiscal year ended August 31, 2007**

**Governmental Activities**  
**General Obligation Bonds**

Description of Issue	Application of Funds	
	Principal	Interest
State of Texas General Obligation Bonds	\$ 35,370,000	\$ 98,803,573
Total	<u>\$ 35,370,000</u>	<u>\$ 98,803,573</u>

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2007		Debt Service	
	Net Available for Debt Service		Principal	Interest
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay		
SHF First Tier Revenue Bonds Ser 2006-A(B)	\$ 5,691,246,854	(A)	\$ 20,810,000	\$ 44,764,148
Total	<u>\$ 5,691,246,854</u>	<u>\$ -</u>	<u>\$ 20,810,000</u>	<u>\$ 44,764,148</u>

(A) - Expenditures associated with pledged sources were \$6,880,107,281

**Business-Type Activities**  
**Revenue Bonds**

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2007		Debt Service	
	Net Available for Debt Service		Principal	Interest
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay		
First Tier Revenue Bonds Ser 2002-A(B)	\$ 59,421,502	(B)	\$ -	\$ 42,593,276
Total	<u>\$ 59,421,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,593,276</u>

(B) - Expenditures associated with pledged sources were \$284,147,768

Construction in Progress & Right of Way as of 8/31/2006	\$2,214,410,122
Buildings / Infrastructure, Net of Accumulated Depreciation	20,759,439
<i>FY 07 Activity:</i>	
Capital Outlay	169,770,109
Capitalized Interest	11,589,746
Capitalized Accretion	8,251,755
Capitalized Amortization	(2,250,484)
Capital Contributions	147,282,261
<i>Total Capital Assets</i>	<u>2,569,812,948</u>
Less: Roadways	(1,073,996,517)
Less: Buildings - net of accumulated depreciation \$546,334	(7,182,048)
Less: Infrastructure - net of accumulated depreciation \$7,725,347	<u>(359,615,710)</u>
<i>Construction in Progress &amp; Right of Way per Exhibit III</i>	<u>\$1,129,018,673</u>



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

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